

**NOAH'S ARK
ANIMAL REHABILITATION CENTER
AND SANCTUARY, INC.**

Annual Financial Statements

(With Independent Auditor's Report thereon)

*FOR THE FISCAL YEAR ENDED
APRIL 30, 2015*

**NOAH'S ARK ANIMAL REHABILITATION CENTER
AND SANCTUARY, INC.**

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INDEPENDENT AUDITOR'S REPORT



*When you see the B, remember me!*sm

Independent Auditor's Report

To the Board of Directors
NOAH'S ARK ANIMAL REHABILITATION CENTER
AND SANCTUARY, INC.
Locust Grove, Georgia

Engagement Scope

I have audited the accompanying financial statements of NOAH'S ARK ANIMAL REHABILITATION CENTER AND SANCTUARY, INC. (the "Animal Sanctuary"), a non-profit organization, which comprise the statement of financial position as of April 30, 2015, and the related statements of activities, functional expenses and cash flows for the fiscal year then ended, and the related notes to the financial statements (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

My responsibility is to express an opinion on these Financial Statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.



Opinion

In my opinion, the Financial Statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Animal Sanctuary as of April 30, 2015, and the changes in its net assets and its cash flows for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Thomas Bailey, CPA

Thomas Bailey, CPA

September 11, 2015

BASIC FINANCIAL STATEMENTS

NOAH'S ARK ANIMAL REHABILITATION CENTER AND SANCTUARY, INC.

Statement of Financial Position
April 30, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Totals</u>
ASSETS			
CURRENT ASSETS:			
Cash (Note 3)	\$ 178,117	\$ 150,367	\$ 328,484
Contribution Receivable	57,403	-	57,403
Accounts Receivable - Vet Clinic	10,914	-	10,914
Other Receivable - Utility Company Refund	6,703	-	6,703
Inventory (Note 4)	120,960	-	120,960
Due from Related Entity (Note 5)	78,786	-	78,786
Short-term Investments	37,252	-	37,252
Prepaid Insurance	13,523	-	13,523
TOTAL CURRENT ASSETS	503,658	150,367	654,025
Capital Assets (net) (Note 6)	2,432,681	-	2,432,681
OTHER ASSETS:			
Animal Collections (Note 7)	1	-	1
TOTAL ASSETS	<u>\$ 2,936,340</u>	<u>\$ 150,367</u>	<u>\$ 3,086,707</u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES:			
Accounts Payable	\$ 164,439	\$ -	\$ 164,439
Advances - Vet Clinic	5,178	-	5,178
Accrued Salaries	23,842	-	23,842
TOTAL LIABILITIES	193,459	-	193,459
NET ASSETS:			
Unrestricted	2,742,881	-	2,742,881
Temporarily Restricted	-	150,367	150,367
TOTAL NET ASSETS	<u>2,742,881</u>	<u>150,367</u>	<u>2,893,248</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,936,340</u>	<u>\$ 150,367</u>	<u>\$ 3,086,707</u>

The accompanying notes are an integral part of this statement

NOAH'S ARK ANIMAL REHABILITATION CENTER AND SANCTUARY, INC.

Statement of Activities
For the Fiscal Year Ended April 30, 2015

CHANGE IN NET ASSETS:	Unrestricted	Temporarily Restricted	Totals	% of Totals
SUPPORT:				
Grants and Cash Donations:				
<i>General Public Donations</i>	\$ 1,511,882	\$ 306,673	\$ 1,818,555	66%
<i>Corporate Grants and Donations</i>	123,823	-	123,823	4%
Non-cash Donations	-	433,868	433,868	16%
TOTAL SUPPORT	1,635,705	740,541	2,376,246	86%
REVENUES:				
Rescue Vet Services	179,739	-	179,739	7%
Adoption Fees	8,255	-	8,255	-
Special Fundraising Events	85,716	-	85,716	3%
Gift Shop Sales:				
<i>Gross Sales</i>	150,765	-	150,765	6%
<i>Less Costs of Sales</i>	(50,044)	-	(50,044)	-2%
Interest Income	702	-	702	-
Other Income	6,960	-	6,960	-
Net Assets released from restrictions	714,620	(714,620)	-	-
TOTAL REVENUES	1,096,713	(714,620)	382,093	14%
TOTAL SUPPORT AND REVENUES	2,732,418	25,921	2,758,339	100%
EXPENSES:				
Program Activities	2,403,579	-	2,403,579	91%
Support Activities	227,742	-	227,742	9%
TOTAL EXPENSES	2,631,321	-	2,631,321	100%
Change in Net Assets				
Before Collections Not Capitalized	101,097	25,921	127,018	
Collection Items Purchased				
But Not Capitalized (Note 7)	(800)	-	(800)	
CHANGE IN NET ASSETS	100,297	25,921	126,218	
Net Assets, Beginning of the Year	2,639,942	124,446	2,764,388	
Correction of Previous Errors:				
Write-down Animal Collections (Note 8)	(7,224)	-	(7,224)	
Unrecorded Securities Donated Last Year	9,866	-	9,866	
Net Assets, Beginning of the Year, as restated	2,642,584	124,446	2,767,030	
NET ASSETS, END OF THE YEAR	\$ 2,742,881	\$ 150,367	\$ 2,893,248	

The accompanying notes are an integral part of this statement

NOAH'S ARK ANIMAL REHABILITATION CENTER AND SANCTUARY , INC.

Statement of Functional Expenses For the Fiscal Year ended April 30, 2015

	Program Activities			Support Activities			Total Expenses
	Rehabilitation and Permanent Care	Educational	Total Program Expenses	Administrative Costs	Fundraising	Total Support Expenses	
Labor Cost and Benefits:							
Salaries (Note 2, Use of Estimates)	\$ 397,027	\$ 85,513	\$ 482,540	\$ 85,513	\$ 42,757	\$ 128,270	\$ 610,810
Health Insurance	62,618	6,697	69,315	6,697	3,348	10,045	79,360
Liability and Workers Comp Insurance	20,885	-	20,885	-	-	-	20,885
Payroll Taxes (Note 2, Use of Estimates)	34,006	627	34,633	627	314	941	35,574
Total Labor Cost and Benefits	514,536	92,837	607,373	92,837	46,419	139,256	746,629
Feed	422,953	-	422,953	-	-	-	422,953
Contract Services	331,040	934	331,974	934	205	1,139	333,113
Depreciation (Note 6)	263,392	-	263,392	-	-	-	263,392
Habitat Expenses (Animal Care)	207,767	-	207,767	-	-	-	207,767
Vet Care	162,004	-	162,004	-	-	-	162,004
Utilities	81,228	-	81,228	-	-	-	81,228
Auto and Truck Maintenance	74,856	-	74,856	-	-	-	74,856
Supplies	-	924	924	54,378	-	54,378	55,302
Advertising and Public Relations	42,080	5,130	47,210	2,565	-	2,565	49,775
Insurance	43,548	-	43,548	-	-	-	43,548
Animal Rescue	28,668	-	28,668	-	-	-	28,668
Volunteer Expense (Note 2, Use of Estimates)	14,078	14,078	28,156	-	-	-	28,156
Small Equipment	-	-	-	26,535	-	26,535	26,535
Visitor Center (Note 2, Use of Estimates)	17,958	2,245	20,203	2,245	-	2,245	22,448
Bank and Credit Card Charges	21,003	-	21,003	-	-	-	21,003
Meals and Entertainment	18,095	-	18,095	-	-	-	18,095
Dues and Subscriptions	18,000	-	18,000	-	-	-	18,000
Travel (Note 2, Use of Estimates)	12,977	1,624	14,601	1,624	-	1,624	16,225
Benevolence	6,445	-	6,445	-	-	-	6,445
Pest Control	4,513	-	4,513	-	-	-	4,513
Miscellaneous Expenses	666	-	666	-	-	-	666
TOTAL ACTIVITIES	\$ 2,285,807	\$ 117,772	\$ 2,403,579	\$ 181,118	\$ 46,624	\$ 227,742	\$ 2,631,321
% of TOTAL ACTIVITIES	87%	4%	91%	7%	2%	9%	100%

The accompanying notes are an integral part of this statement

NOAH'S ARK ANIMAL REHABILITATION CENTER AND SANCTUARY, INC.

Statement of Cash Flows
For the Fiscal Year Ended April 30, 2015

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in Net Assets	\$ 126,218
Adjustments to reconcile Change in Net Assets to net cash provided by operating activities:	
Depreciation	263,392
Decrease (Increase) in:	
Contribution Receivable	(6,560)
Accounts Receivable - Vet Clinic	(10,914)
Other Receivable - Utility Company Refund	(6,340)
Inventory	(82,509)
Short-term Investments	(27,386)
Prepaid Insurance	(10,659)
(Decrease) Increase in:	
Accounts Payable	115,065
Advances - Vet Clinic	5,178
Accrued Salaries	(732)
NET CASH PROVIDED BY OPERATING ACTIVITIES	364,753
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchase of Capital Assets	(337,082)
NET CASH USED IN INVESTING ACTIVITIES	(337,082)
CASH FLOWS FROM FINANCING ACTIVITIES:	
Change in Amount Due from Related Entity	(55,616)
NET CASH USED IN FINANCING ACTIVITIES	(55,616)
Net Decrease in Cash	(27,945)
Cash at Beginning of the Year	356,429
CASH AT END OF THE YEAR	\$ 328,484

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Supplemental Disclosures:

Accounting Policy - All highly liquid investments with a maturity of three months or less at the date of acquisition are considered to be cash equivalents. No cash equivalents were held on April 30, 2015.

Income Taxes - The organization is exempt from income taxes under section 501(c)(3) of the Internal Revenue Service Code (the "Code") and accordingly, no income tax payments were made. Additional income tax information is in the *Income Tax Status* section of **Note 2**.

Interest Paid - No interest was paid during the fiscal year.

The accompanying notes are an integral part of this statement

NOAH'S ARK ANIMAL REHABILITATION CENTER AND SANCTUARY, INC.

Notes to the financial statements

1. NATURE OF THE ORGANIZATION

Organization and its Mission:

History

Founded by Jama and Charles Hedgecoth in 1978 as an animal rescue center (the "Center"), it was originally located on a small farm in Ellenwood, Georgia. In 1990, the Center was moved to a 250 acre property in Locust Grove, Georgia...the Noah's Ark Rehabilitation Center was born.

The Noah's Ark Rehabilitation Center, Inc. was organized as a Georgia Non-Profit Corporation in April 1990 under the Georgia Non-Profit Corporation Code. Noah's Ark Rehabilitation Center, Inc. is a Public Charity as defined in Section 509(a) of the Internal Revenue Service Code (the "Code") and is governed by a Board of Directors consisting of not less than three (3) nor more than five (5) directors.

In 2001, the Center acquired a trio of young captive animals (a lion cub, a tiger cub and a bear cub) confiscated from a convicted drug dealer during a raid. As the trio bonded, they were housed in a special exhibit called the "Clubhouse", where they could live together.

In 2008, the Center rescued a wounded young Zebra that was found wandering on nearby Interstate 75.

On January 20, 2015, the organization changed its name to NOAH'S ARK ANIMAL REHABILITATION CENTER AND SANCTUARY, INC. (the "Animal Sanctuary").

Mission

The rescue and rehabilitation of exotic, wildlife and domestic animals. The Animal Sanctuary is an American exotic animal rescue and wildlife rehabilitation center for abused, unwanted and neglected animals located on a 250 acre "Park Like" sanctuary in Locust Grove, Georgia known as Noah's Ark. It houses over 1500 animals that are fed and cared for at a cost of approximately \$33,000 per month. Many of the animals were rescued from unlicensed owners or donated by circuses and zoos. Hundreds of native wild animals are rehabilitated and returned to the wild. Those that cannot be returned to the wild are housed permanently at Noah's Ark. The Animal Sanctuary is known for its "Clubhouse" exhibit, in which a tiger, a lion and a bear live together.

Each month, thousands of children from schools all over are brought to spend the day walking throughout the animal habitat, learning the story about each animal and experiencing the founders dream and mission. Children are encouraged to get involved in our community service program and find ways to volunteer their time which provides an opportunity to apply academic learning to real life needs.

NOAH'S ARK ANIMAL REHABILITATION CENTER AND SANCTUARY, INC.

Notes to the financial statements

1. NATURE OF THE ORGANIZATION (continued)

Organization and its Mission:

Mission

More than 100,000 people visit annually to experience, first-hand, the animals in habitats that mimic their natural environments. There is never an admissions charge to come and see the animals.

Services/Programs include:

Rehabilitation and/or Permanent Care Center; A sanctuary and/or home to an array of animals including horses, bison, deer, cougars, parrots, monkeys, fowl, pythons, a lion, a tiger and a bear. Native wild animals that can be rehabilitated are released back into the wild. Those that can not be rehabilitated are housed permanently and cared for.

Education and Advocacy for responsible animal ownership; the development, publishing and distribution of materials concerning the nourishment, care, treatment of animals and the prevention of animal cruelty.

The Year in Review:

Program Accomplishments:

Rehabilitation and/or Permanent Care

Well over **100,000** people visited the sanctuary and over 260 volunteer groups helped to clean up and beautify the grounds. The volunteer labor force contributed approximately **12,577** hours of service this year.

Of all the animals we took in, only a small portion could be released back into their native habitats. Most of the hundreds of orphaned and injured native wild animals that we rescued, including: deer, opossum, armadillo, song birds, squirrel, field mice, corvids, non-migratory water fowl and other soft billed natives required permanent care, includes:

- The rescue of two three-month-old bear cubs from a dilapidated roadside zoo in IL. The brown bear (named “Anna Lou”) and black bear (named “Angus”) needed a home. They were living in a 4’x8’ dog kennel and never should have been separated from their mothers at such a young age. The baby bears (Anna Lou and Angus) were moved to their permanent enclosure in February 2015.

NOAH'S ARK ANIMAL REHABILITATION CENTER AND SANCTUARY, INC.

Notes to the financial statements

1. NATURE OF THE ORGANIZATION (continued)

The Year in Review:

Program Accomplishments:

Rehabilitation and/or Permanent Care

- The Noah's Ark Dog and Cat Adoption Center was started in June 2014 to rescue roughly 35 dogs in horrendous conditions from a puppy mill because no other rescues would take the dogs due to their extreme emotional and physical health issues. We started taking in more "death row" dogs and cats, treating them, and finding them loving, forever homes. All dogs from the puppy mill have found their forever home. In addition, we have also placed over 12 cats and 15 dogs with their forever families.
- An older serval (medium sized, spotted African wildcat) named "Ivy" was surrendered to the sanctuary after her owner could no longer care for her. A wonderful enclosure was eventually built for Ivy (which she shared for a short while with our other serval).
- Assistance to several other true sanctuaries in the removal, transport and possible placement of a large number of exotic animals from a USDA mandated, shut down zoo in Alabama. With the assistance of Dr. Jack, staff was able to rescue two geriatric grey wolves named Zena and Storm. The wolves were 17 and 12 years old and not once in their lives had ever received any vet care. Despite their old age and poor health, they both made it back to Noah's Ark and after being examined, vaccinated and dewormed, they finished their three week quarantine and were released into a beautiful natural enclosure.
- The rescue of a 17-year-old black bear named "Tuffy" who was brought to Noah's Ark by the Ohio Department of Agriculture (ODA). The bear was severely abused as a personal pet and confiscated by the ODA (most of his teeth and claws were cut out with bolt cutters by previous owner). While in their care, Tuffy bit a worker through the fence and was forced to stay in quarantine for 6 months, which only added to his neurotic behavior. He is currently doing much better at the sanctuary and has since been moved to a larger natural enclosure.
- The rescue of King Arthur, a 30 year old black bear, from the shut down zoo in Alabama. No other sanctuaries would take King Arthur because of his extreme age, and we honestly didn't expect him to survive the physical and mental stress of anesthesia and transport, but he did! He continues to do very well to this day and has blossomed into a beautiful, feisty old bear.

NOAH'S ARK ANIMAL REHABILITATION CENTER AND SANCTUARY, INC.

Notes to the financial statements

1. NATURE OF THE ORGANIZATION (continued)

The Year in Review:

Program Accomplishments:

Rehabilitation and/or Permanent Care

- The rescue of a 29-year-old brown bear named "Gideon" who was in very poor health, two tigers (named "Lena" and "Sasha") and a 14 year old genet from the shut down zoo in Alabama.
- The rescue of Baby Bob, an orphaned bobcat.
- The rescue of over 700 chicks that were brought to us by the post office after whoever ordered them never picked the birds up from the post office. We decided to adopt out as many of the chicks as we could to qualified applicants after they filled out an adoption contract and were interviewed.
- The rescue of three (3) rhesus macaques named Gary, Costello and Rusty after being retired from research at Brown University.

Habitat Projects.

- We started construction on Gideon's (a 29-year-old brown bear) specialized habitat which included an in-ground pool, low platforms and large indoor area. His habitat was designed specifically around his geriatric physical state so he can move around easily and be as comfortable as possible. The construction on Gideon's habitat was finally completed in April 2015 and he was moved into his new enclosure, which is the largest space he has ever lived in.
- We competed in the Crowdrise Holiday Challenge with the focus of online giving geared to our future Nutrition Center and habitats for the geriatric and special needs animals.
- Runs were set up and a portable office (renovated shed) was moved to the back of the vet clinic area for animals from the dog and cat adoption center. Now, more volunteers are able to care for and socialize with them, which is rewarding for the volunteers and makes the dogs get adopted faster. Dogs are walked around during open hours for socialization and to bring awareness that they are for adoption.
- A small indoor area was set up inside the Welcome Center for the kittens to stay, so guests can see and interact with them, which helps them find a forever home sooner.

NOAH'S ARK ANIMAL REHABILITATION CENTER AND SANCTUARY, INC.

Notes to the financial statements

1. NATURE OF THE ORGANIZATION (continued)

The Year in Review:

Program Accomplishments:

Strategic Partnerships were developed.

- The best in the field of veterinary dentistry, The Peter Emily International Veterinary Dental Foundation (PEIVDF), came to work on several of our animals, including the 17 year-old black bear named Tuffy for broken teeth and badly ingrown claws (direct result from him being barbarically declawed with bolt cutters).
- Dr. Jack Kottwitz from Auburn University, his students, and his wife (who is over the large animal emergency medicine at Auburn) come out to the sanctuary almost on a monthly basis to do a walk through and attend to any animals that needed medical help. Dr. Jack always brings a group of students with him so they can get experience around exotic animals. This allows his vet students an up close and hands on look at zoo animal medicine, while providing our animals with the best vet care possible.
- The IFAW (International Fund for Animal Welfare) who requested a tour and meeting with Noah's Ark key staff, asked Noah's Ark to be a part of their newly implemented Wildlife Rescue Network. We agreed to take part in this rapid alert system, which connects captive exotic animal rescue needs with true sanctuaries.

Education and Advocacy

- The annual "Camp Safari" was held in June 2014, whose purpose was to share our mission that all living things have value and should be respected. During this overnight event, paying guests of all ages took a hay ride through our 80 acre pasture and fed and learned the histories of our hoof stock (horses, bison, llamas, pigs, sheep, goats, and cows).
- There was a reptile encounter where we educated people about snakes including what to do if you see one, the difference between venomous and non venomous native snakes, what's an appropriate pet reptile and which species should never be kept as pets. Guests spent the night in their tents and were provided dinner, breakfast the next morning and got a behind the scenes tour of some of the primates and the big cats, and watch keepers feed them.

NOAH'S ARK ANIMAL REHABILITATION CENTER AND SANCTUARY, INC.

Notes to the financial statements

1. NATURE OF THE ORGANIZATION (continued)

The Year in Review:

Financial Highlights:

The Animal Sanctuary spent \$337,082 on capital assets this fiscal year, of which \$305,310 or 91% was for the expansion of the organization's facilities so that more animals could be cared for.

As the result of caring for more animals, this year's Feed and Animal Care expenses were \$422,953 and 207,767 , respectively. Although Feed costs remained relatively constant with the previous year, Animal Care costs doubled (from \$107,332 last year to \$207,767 this year).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting:

The Financial Statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Under the accrual basis of accounting, expenses are recognized when a liability has been incurred, regardless of the timing of the related cash flows. Accordingly, all significant receivables, payables and other liabilities are reflected in these Financial Statements.

Accounting for Grants and Cash Donations:

In accordance with the recommendations of the Financial Accounting Standards Board as codified at *FASB ASC 958-605-25-2*, Grants and Cash Donations (Contributions) are recognized as income in the period received.

Contributions that do not have grantor or donor-imposed restrictions as to purpose or time are classified as Unrestricted Revenue.

When the Contributions are restricted for specific program purposes or time, the related revenue is recognized as Temporarily Restricted Revenue, released and reclassified as Net Assets released from restrictions when the related restrictions are satisfied. See *Basis of Presentation, Temporarily Restricted Net Assets* on **page 13** to see how the Animal Sanctuary applies this principle.

In accordance with the recommendations of the Financial Accounting Standards Board as codified at *FASB ASC 958-605-25-11*, when Contributions have grantor or donor-imposed conditions (Conditional Contributions), the contributions are not recognized as revenue until the conditions are met. The Animal Sanctuary did not receive any Conditional Contributions in fiscal year.

NOAH'S ARK ANIMAL REHABILITATION CENTER AND SANCTUARY, INC.

Notes to the financial statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles includes the use of estimates that affect the financial statements. The most significant estimates made by management in these Financial Statements are the useful lives of its capital assets and the cost allocations of certain expenses. The cost allocation assumptions are in **Note 9** on **Page 19**.

Actual results could differ from the estimates.

Basis of Presentation:

These Financial Statements are presented in accordance with the recommendations of the Financial Accounting Standards Board as codified at *FASB ASC 958-210-45-9*. Under these standards, the Animal Sanctuary is required to report information regarding its financial position and activities by three classes of net assets based on the existence or absence of grantor or donor-imposed restrictions. The purpose of this type of presentation is to ensure observance of limitations and restrictions on the use of financial resources.

Accordingly, net assets of the Animal Sanctuary and changes therein are defined, classified and reported as follows:

Unrestricted Net Assets – defined as net assets that are not subject to grantor or donor-imposed restrictions.

Temporarily Restricted Net Assets – defined as net assets that are subject to grantor or donor-imposed stipulations that may or will be met, either by actions of the Animal Sanctuary 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. As applied to the Animal Sanctuary, the release is accomplished by the payment of expenses funded by Puppy Mill Rescue, Animal Feed and Habitat Support donations.

Permanently Restricted Net Assets – defined as net assets subject to grantor or donor-imposed stipulations that they be maintained permanently by the organization. Generally, the donors of these assets permit an organization to use all or part of the income earned on any related investments for general or specific purposes. The Animal Sanctuary does not have any Permanently Restricted Net Assets.

NOAH'S ARK ANIMAL REHABILITATION CENTER AND SANCTUARY, INC.

Notes to the financial statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Tax Status:

Exempt Function Activities:

The Animal Sanctuary is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Service Code (the "Code") and is classified as a public charity.

Donations to the organization qualify for the charitable contribution deduction under Section 170(b)(1)(A) of the Code.

As a result of its exemption from federal and state income taxes, no provision for income taxes has been recorded in these Financial Statements. The Animal Sanctuary did not engage in any unrelated business or lobbying activities for the fiscal year ended April 30, **2015**.

FASB ASC 740-10-50-15 Disclosure (commonly referred to as FIN-48 Disclosure):

An organization is required to record a liability for uncertain tax positions when it is probable that a tax position would not be upheld under examination by the Internal Revenue Service and the amount can be reasonably estimated.

Tax positions taken related to the Animal Sanctuary's tax exempt status have been reviewed, and management believes that material positions taken by the organization would, more likely than not, be sustained upon examination. Accordingly, an income tax liability for uncertain tax benefits has not been recorded as of April 30, **2015**, and the organization does not anticipate a material change in its uncertain tax benefits for the 12 months following April 30, **2015**. For federal tax purposes, tax periods ended April 30, 2013 through April 30, **2015** are open to tax examination.

NOAH'S ARK ANIMAL REHABILITATION CENTER AND SANCTUARY, INC.

Notes to the financial statements

3. CASH AND RISK

Cash:

The composition of the Animal Sanctuary's Cash at April 30, **2015** is as follows:

	Classification		Total
	<u>Unrestricted Activities</u>	<u>Temporarily Restricted Activities</u>	
Operating Accounts	\$ 58,798	\$ ---	\$ 58,798
Money Market Accounts	83,880	150,367	234,247
Savings Account	30,001	---	30,001
Petty Cash/Cash Held for Change	<u>5,438</u>	<u>---</u>	<u>5,438</u>
Cash	<u>\$ 178,117</u>	<u>\$ 150,367</u>	<u>\$ 328,484</u>

The Temporarily Restricted Money Market Account balance represents unspent funds held at April 30, **2015** that donors restricted for the Nutrition Center.

Custodial Risk:

The risk, that in the event of a bank failure, the Animal Sanctuary's deposits may not be returned to it. As of April 30, **2015**, all funds held in bank accounts were fully insured by the Federal Deposit Insurance Corporation (FDIC) insurance.

4. INVENTORY

Inventory consists of materials and supplies, either purchased or donated, and are valued at the lower of cost or market. Cost is determined using the first-in, first-out method. Therefore, ending inventory at April 30, **2015** is valued at the most recent price.

The Inventory balances at April 30, **2015** are as follows:

	<u>Total</u>
Animal Feed	\$ 76,630
Gift Shop Merchandise	40,105
Vet Clinic	<u>4,225</u>
Total Inventory	<u>\$ 120,960</u>

NOAH'S ARK ANIMAL REHABILITATION CENTER AND SANCTUARY, INC.

Notes to the financial statements

5. DUE FROM RELATED ENTITY

NOAH'S ARK CHILDREN'S SANCTUARY, INC. (the "Children's Sanctuary") is related to the Animal Sanctuary by a common board of directors as well as the sharing of some administrative functions and facilities.

Assets, liabilities, support, revenues and expenses of the Children's Sanctuary are not included in the financial statements, except for the unreimbursed balance due from the Children's Sanctuary for purchases made on the Animal Sanctuary's credit cards on behalf of the Children's Sanctuary.

As of April 30, 2015, the unreimbursed balance due from the Children's Sanctuary is **\$78,786**.

The Children's Sanctuary operates on a fiscal year ending April 30th. The financial statements of the Children's Sanctuary for the fiscal year ended April 30, 2015 has been audited and the report thereon dated August 13, 2015 was unqualified. That audit report disclosed the following balances as of and for the fiscal year ended April 30, 2015.

ASSETS:

Current Assets	\$ 52,642
Capital Assets (net)	<u>656,600</u>

TOTAL ASSETS **\$ 709,242**

CURRENT LIABILITIES **\$ 85,047**

NET ASSETS:

Unrestricted	\$ 624,195
Temporarily Restricted	<u>---</u>

TOTAL NET ASSETS **\$ 624,195**

SUPPORT	\$ 110,385
REVENUES	<u>927</u>
TOTAL SUPPORT AND REVENUES	<u>\$ 111,312</u>

EXPENSES:

Program Activities	\$ 169,639
Administrative Costs	<u>35,007</u>

TOTAL EXPENSES \$ 204,646

CHANGE IN NET ASSETS **\$ (93,334)**

NOAH'S ARK ANIMAL REHABILITATION CENTER AND SANCTUARY, INC.

Notes to the financial statements

6. CAPITAL ASSETS

Acquisitions of property, furniture and equipment (Capital Assets) in excess of \$1,000 are capitalized. Purchased Capital Assets are recorded at cost. The Animal Sanctuary does not receive significant donations of Capital Assets.

The cost of maintenance and repairs is expensed as incurred; significant renewals and betterments are capitalized.

Depreciation of Capital Assets is computed on the straight-line method over the estimated useful lives of the respective assets. A half-year of depreciation is taken in the year of purchase and in the year of disposal.

The initial useful lives of Capital Assets are as follows:

Building, Improvements and Habitats	10-39 years
Pens and Cages	7-10 years
Furniture and Fixtures	5-10 years
Machinery and Equipment	5-10 years
Automotive Equipment	5-7 years

The following is a summary of the asset balances, less accumulated depreciation, at April 30, **2015**.

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Carrying Value</u>
Land	\$ 468,601	\$ ---	\$ 468,601
Building, Improvements and Habitats	4,338,694	2,657,388	1,681,306
Pens and Cages	72,877	44,567	28,310
Furniture and Fixtures	172,205	126,332	45,873
Machinery and Equipment	424,267	325,430	98,837
Automotive Equipment	<u>270,841</u>	<u>161,087</u>	<u>109,754</u>
Totals	<u>\$ 5,747,485</u>	<u>\$ 3,314,804</u>	<u>\$ 2,432,681</u>

Depreciation:

As of April 30, **2015**, depreciation in the amount of **\$263,392** is charged to operations and reported as a Program Cost in the Statement of Functional Expenses because the assets are primarily used for Program Activities.

NOAH'S ARK ANIMAL REHABILITATION CENTER AND SANCTUARY, INC.

Notes to the financial statements

7. ANIMAL COLLECTIONS

The Financial Accounting Standards Board codification defines collections as works of art, historical treasures, or similar assets that **meet all** of the following criteria:

- They are held for public exhibition, education, or research in furtherance of public service rather than financial gain.
- They are protected, kept unencumbered, cared for, and preserved.
- They are subject to an organizational policy that requires the proceeds of items that are sold to be used to acquire other items for collections.

Animals held by the Animal Sanctuary meet this definition. In accordance with the recommendations of the Financial Accounting Standards Board as codified at *FASB ASC 958-360-50-1*, the Animal Sanctuary's animal collection is capitalized, but not depreciated. In accordance with industry practice, the animal collection is capitalized at the nominal amount of **\$1**, as there is no objective basis for establishing value. Additionally, the animal collection has numerous attributes, including species, age, sex, relationship and value to other animals and endangered status, whereby it is impractical to assign value.

Purchases of animals for the collections are recorded as decreases in Unrestricted Net Assets in the fiscal year in which the items are acquired. For the fiscal year ended April 30, **2015**, animals totaling **\$800** were acquired. Additions to these collections acquired other than by purchase are not assigned a value and are not accounted for in the accounts of the Animal Sanctuary.

The most recent census as of April 30, **2015** is as follows:

	<u>Number of Animals</u>
Domestic	1,429
Exotic	<u>38</u>
TOTAL ANIMALS	<u>1,467</u>

NOAH'S ARK ANIMAL REHABILITATION CENTER AND SANCTUARY, INC.

Notes to the financial statements

8. CORRECTION OF AN ERROR

During fiscal year ended April, 30, **2015**, a 1989 error was discovered in which the Animal Sanctuary's animal collections were erroneously capitalized and depreciated over 5-7 years. This error was corrected this fiscal year by restating Net Assets for the net book value of the animal collections. As of April 30, **2015**, the net book value of the animal collections amounted to **\$7,224**.

9. FUNCTIONAL ALLOCATION OF EXPENSES

The cost of providing the Animal Sanctuary's Activities and Programs is charged to the activity or program benefited based on specific identification whenever possible. Expenses that cannot be specifically identified with an activity or program are allocated based on factors such as an estimate of the time spent by employees or direct relationship of the expense. During the fiscal year ended April 30, **2015**, certain costs have been allocated as follows:

	Rehabilitation and Permanent Care	Education	Administrative	Fundraising
Salaries	65%	14%	14%	7%
Payroll Taxes	65%	14%	14%	7%
Printing/Reproduction	40%	40%	20%	0%
Visitor Center	80%	10%	10%	0%
Travel	80%	10%	10%	0%
Volunteer Expense	50%	50%	0%	0%
Waste Removal	80%	10%	10%	0%
Payroll Service Fees	65%	14%	14%	7%
Depreciation	100%	0%	0%	0%

10. SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 11, 2015, the date these Financial Statements are available to be issued. No events were noted that would require adjustment to or disclosure in these Financial Statements.