

Happy Trails Farm Animal Sanctuary  
Financial Statements  
December 31, 2013

## Table of Contents

Accountant's Review Report	1
Statement of assets, liabilities and changes in net assets-cash basis	2
Statement of revenues, expenses and other changes in net assets cash basis	3
Notes to Financial Statements	4



**MALECKI & CO.**

*Certified Public Accountant*

INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Trustees of  
Happy Trails Farm Animal Sanctuary  
Ravenna, Ohio

I have reviewed the accompanying statement of assets, liabilities, and net assets—cash basis of Happy Trails Farm Animal Sanctuary (a nonprofit organization) as of December 31, 2013, and the related statement of revenues, expenses, and other changes in net assets—cash basis for the year then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Organization management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, I do not express such an opinion.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the cash basis of accounting and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

My responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require me to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. I believe that the results of my procedures provide a reasonable basis for my report.

Based on my review, I am not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with the cash basis of accounting, as described in Note A.

*Malecki & Co.*

October 1 2014

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Assets

Current assets	
Cash and cash equivalents	145,408
Property plant and equipment	
Land	79,540
Buildings	108,189
Machinery and equipment	23,589
Automobiles & trucks	44,383
Leasehold improvements	4,875
Total property plant and equipment	<u>260,576</u>
Less: accumulated depreciation	<u>(74,668)</u>
Net Property plant and equipment	<u>185,908</u>
Total Assets	\$ <u><u>331,316</u></u>

Liabilities and Stockholders Equity

Current portion of long-term debt	1,052
Long-term debt	<u>30,699</u>
Total liabilities	31,751
Net assets	<u>299,565</u>
Total Liabilities and Net Assets	\$ <u><u>331,316</u></u>

See accompanying independent accountant's review report.

Happy Trails Farm Animal Sanctuary, Inc.  
 Statement of Revenues, Expenses and other Changes in Net Assets-Cash Basis  
 For the year ending December 31, 2013

Net revenue	
Sales	32,312
Animals	25,074
Fundraising	63,013
General contributions	253,515
Grants	<u>17,800</u>
Total Net Revenue	\$ 391,714
Operating expenses	
Advertising	20,208
Depreciation expense	13,217
Other expenses	3,059
Utilities	12,636
Administrative	37,039
Fundraising	3,745
Animal Care	83,350
Facility Maintenance	17,463
Salaries & Wages	96,143
Vehicles	9,695
Taxes	15,721
Donations	<u>500</u>
Total Operating expenses	<u>312,776</u>
Income/(loss) from operations	78,938
Other income	
Interest income	1
Other income	<u>1,263</u>
Total Other income	1,264
Other expenses	
Other expenses	<u>2,435</u>
Net income/(loss)	77,767
Net assets, beginning	<u>221,798</u>
Net assets, ending	\$ <u><u>299,565</u></u>

See accompanying independent accountant's review report.

**Happy Trails Farm Animal Sanctuary  
Notes to Financial Statements**

Note A - Summary of Significant Accounting Policies

This summary of significant accounting policies of Happy Trails Farm Animal Sanctuary (the Organization) is presented to assist in understanding the Organization's financial statements. The financial statements and notes are representations of the Organization's management who are responsible for their integrity and objectivity. These accounting policies conform to a comprehensive basis of accounting other than generally accepted accounting principles and have been consistently applied in the preparation of the financial statements.

Basis of Accounting

The Organization's policy is to prepare its financial statements on the modified cash basis of accounting which is the basis of accounting used to file its federal income tax information return; consequently, contributions and other revenues are recognized when received rather than when promised or earned, certain expenses and purchases of assets are recognized when cash is disbursed rather than when the obligation is incurred. Depreciation on fixed assets is recorded.

Nature of Operations

The mission of Happy Trails Farm Animal Sanctuary is to protect and preserve the quality of life for neglected & abused animals through establishment of a rescue, rehabilitation and adoption program for farm animals. The organization serves the entire state of Ohio and works in cooperation with county humane societies, animal protective leagues, and local and state law enforcement agencies.

Date of Management's Review

Management has evaluated subsequent events through October 1, 2014, the date the financial statements were available to be issued.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all cash on hand, in banks and investment instruments with a maturity of three months or less to be cash and cash equivalents. At December 31, 2013 the Organization had cash on deposit with a financial institution in the amount of approximately \$145,000.

Property and Equipment

Property and equipment are carried at cost. Depreciation is provided using straight-line methods for financial reporting purposes at rates based on the following estimated useful lives:

	<u>Years</u>
Machinery and equipment	5
Buildings and improvements	20-30

Expenditures for major additions and improvements that extend the useful lives of assets are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred. Depreciation expense for the fiscal year ending December 31, 2013 was \$13,217

Use of Estimates

The preparation of financial statements in conformity with a basis of accounting other than 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.

Note B - Concentrations of Credit Risk

The organization's cash balances are below federally insured limits and it owns no investment instruments or accounts receivable. There are no contributors or suppliers or related groups or contributors or suppliers that account for more than 10% of the organizations revenue or expenses respectively. Accordingly, there are not deemed to be any material concentrations of credit risk.

Note C – Income Taxes

The Organization is recognized as a not-for-profit corporation pursuant to section 501(c) (3) of the Internal Revenue Code. As such income from non-business activities of the Organization is exempt from federal and state taxation. On January 1, 2009 the Organization adopted newly issued accounting rules that prescribe when to recognize and how to measure the financial statement effects, if any, of income tax positions taken or expected to be taken on its informational tax returns, including the position that the Organization will continue to be treated as a tax exempt entity. These new rules require management to evaluate the likelihood that, upon examination by relevant taxing jurisdictions, those income tax positions would be sustained.

Based on that evaluation, if it were more than 50% probable that a material amount of income tax would be imposed at the entity level upon examination by the relevant taxing authorities, a liability would be recognized in the accompanying balance sheet along with any interest and penalties that would result from that assessment. Should any such interest and penalties be incurred, the Organization's policy would be to recognize them as operating expenses.

Based on the results of management's evaluation, adoption of the new rules did not have a material effect on the Organization's financial statements, Further, no interest or penalties have been accrued or charged to expense as of December 31, 2013.

The Organization's informational tax returns are subject to examination by taxing authorities for a period of three years from the date they are filed.

Note D – Long-term Debt

Mortgage note payable at \$247 per month which includes interest at 6%, Collateralized by land & buildings with a net book value of \$129,500	\$31,751
Less: current portion of long-term debt	<u>(1,052)</u>
	<u>\$30,699</u>

Current maturities of long term debt are as follows:

2015	\$ 1,117
2016	1,189
2017	1,259
2018	1,337
2019 & thereafter	<u>25,797</u>
	<u>\$30,699</u>