PEACEFUL VALLEY DONKEY RESCUE, INC.

FINANCIAL STATEMENTS
and
INDEPENDENT AUDITORS' REPORT

YEARS ENDED DECEMBER 31, 2015 AND 2014

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., which comprise the statements of financial position as of December 31, 2015 and 2014, and the related statements of activities 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, 2015 and 2014, 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.

Other Matter
Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of functional expenses on page 11 and 12 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements

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or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Merritt, McLane & Hamby, P.C.

MERRITT, MCLANE & HAMBY, P.C.

Abilene, Texas
May 6, 2016

FINANCIAL STATEMENTS

PEACEFUL VALLEY DONKEY RESCUE, INC.

STATEMENTS OF FINANCIAL POSITION
December 31, 2015 and 2014

ASSETS	2015	2014
Current assets:		
Cash	$ 513,727	$ 682,433
Inventory	13,382	7,308
Total current assets	527,109	689,741
Non-current assets:		
Property and equipment, net of accumulated depreciation	821,264	845,549
Total non-current assets	821,264	845,549
Total Assets	$ 1,348,373	$ 1,535,290

LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	$ 17,584	$ 62,628
Other liabilities	7,532	4,340
Notes payable - current	30,240	59,391
Total current liabilities	55,356	126,359
Non-current liabilities:		
Notes payable - non-current	246,823	344,911
	246,823	344,911
Total liabilities	302,179	471,270
Net assets:		
Unrestricted	1,046,194	1,064,020
Total net assets	1,046,194	1,064,020
Total Liabilities and Net Assets	$ 1,348,373	$ 1,535,290

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, 2015 and 2014

	2015	2014
Support		
Contributions	$ 287,541	$ 298,421
Bequests	231,017	172,988
Merchandise sales	7,535	10,239
Fund raising	2,222,297	2,384,881
Total support	2,748,390	2,866,529
Expenses		
Program Services	1,667,884	1,518,393
Supporting Services:		
Management and general	204,397	215,448
Fund-raising	857,331	796,303
Total Expenses	2,729,612	2,530,144
Net Income from Operations	18,778	336,385
Other Income (Expense)		
Interest expense	(37,604)	(30,423)
Gain (loss) on sale of assets	1,000	(10,090)
Total other income (expense)	(36,604)	(40,513)
Change in Net Assets	(17,826)	295,872
Net Assets, Beginning of Year	1,064,020	768,148
Net Assets, End of Year	$ 1,046,194	$ 1,064,020

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

PEACEFUL VALLEY DONKEY RESCUE, INC.

STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2015 and 2014

		2015		2014
Cash flows from operating activities				
Change in net assets from operations	$	18,778	$	336,385
Adjustments to reconcile change in net assets to net cash provided by operating activities:				
Depreciation		43,413		47,519
(Increase) Decrease in operating assets				
Inventory		(6,074)		1,229
Increase (Decrease) in operating liabilities				
Accounts payable		(45,044)		(13,365)
Other liabilities		3,192		(6,323)
Net cash provided by operating activities		14,265		365,445
Cash flows from investing activities				
Purchase of property and equipment		(19,128)		(59,185)
Proceeds from sale of assets		1,000		38,088
Net cash used by investing activities		(18,128)		(21,097)
Cash flows from financing activities				
Interest expense		(37,604)		(30,423)
Payment on note payable		(127,239)		(79,505)
Net cash used by financing activities		(164,843)		(109,928)
Net increase in cash and cash equivalents		(168,706)		234,420
Cash and cash equivalents at beginning of year		682,433		448,013
Cash and cash equivalents at end of year	$	513,727	$	682,433

Supplemental items				
Interest paid	$	37,604	$	30,423

The accompanying notes are an integral part of the 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 three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. 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:

	Years
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 restricted support. 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.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Revenue Recognition

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, 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 unrestricted contributions.

All donor-restricted contributions are reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose 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. There were no restricted contributions in 2015 or 2014.

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 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 2012.

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 the lower of cost or market, cost is being determined on the first-in, first-out basis.

Functional Expenses/Joint Costs

Expenses are charged to each program based on direct expenses incurred. The Organization has no significant costs that should be jointly allocated between fundraising and a program activity.

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 2015 and 2014 the Organization used the services of a direct mail organization, Eberle Communications Group, formerly Fund Raising Strategies, Inc. The annual cost expended was $1,012,725 and $989,734, while the gross revenue raised was $2,222,297 and $2,384,881 for the years ended December 31, 2015 and 2014, respectively.

NOTE 3: 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, 2015, the Organization had deposits which exceeded the FDIC limit by a total of $61,893 at United Bank, but the Organization feels the risk of loss is minimal. As of December 31, 2014, the Organization had deposits which exceeded the FDIC limit by a total of $263,400 at these institutions, but the Organization feels the risk of loss is minimal.

NOTE 4: LAND, BUILDINGS AND EQUIPMENT

Property and equipment consisted of the following at December 31, 2013:

	2015	2014
Land	$ 700,000	$ 700,000
Buildings	44,815	44,815
Leasehold improvements	14,500	14,500
Automotive equipment	154,396	152,265
Machinery and equipment	169,622	170,547
Furniture and equipment	1,488	1,488
Office equipment	1,691	1,691
	1,086,512	1,085,306
Less: Accumulated Depreciation	265,248	239,757
Net Property and equipment	$ 821,264	$ 845,549

Depreciation expense for the year ended December 31, 2015 and 2014 was $43,413 and $47,519, respectively.

NOTE 5: DEBT

	2015	2014
Note payable to Ford Motor Credit, secured by a 2011 Ford F-350, payable at $950 per month including interest at 6.49%. The note matures in March 2016.	$	$ 13,658
Note payable to Ford Motor Credit, secured by a 2012 Ford F-350, payable at $931 per month including interest at 6.89%. The note matures July 2017.	16,696	26,349
Note payable to John Deere Credit, secured by a John Deere mower, payable at $122 per month including interest at 4.9%. The note matures in May 2017.	9,220	14,036
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.	251,147	265,951
Note payable to Mark Meyers. Unsecured loan payable at $3,500 per month including interest at 6.0%. The note matures in January 2021.	-	84,308
	277,063	404,302
Less current payable	30,240	59,391
Long-term payable	$ 246,823	$ 344,911

The following is a schedule of maturities as of December 31, 2015:

	Principal	Interest	Total
2016	$ 30,240	$ 20,650	$ 50,890
2017	26,605	18,507	45,112
2018	17,415	16,988	34,403
2019	18,861	15,543	34,404
2020	20,426	13,977	34,403
2021-2025	130,558	41,459	172,017
2026	32,958	1,445	34,403
	$ 277,063	$ 128,569	$ 405,632

NOTE 6: RETIREMENT

The Organization contributed $5,903 and $9,264 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 7: HEALTH INSURANCE

The Organization spent $47,413 and $50,267 toward health insurance for employees for the year ended December 31, 2015 and 2014, respectively.

NOTE 8: RELATED PARTY TRANSACTIONS

On June 1, 2005 the Organization entered into a loan agreement with the Executive Director; Mark Meyers in the amount of $200,000 paid by Mr. Meyers to the Organization to aid in the construction of the new donkey habitat. The note is to be paid back with interest at 6.00%. The loan was deferred due to continued growth of the Organization and an interest only payment of $12,000 was paid in 2006, with an additional interest only payment of $6,000 paid in 2007. In the following years, the interest will be rolled into payments. The loan was re-amortized in January 2011. The final loan payment will be in 2020. See Note 5 for repayment terms. This loan was paid in full during the year ended December 31, 2015.

NOTE 9: FINANCIAL INSTRUMENTS

Fair Value

The Organization has estimated that the fair value of all financial instruments (none of which is held for trading purposes) at December 31, 2015 and 2014, does not differ materially from their aggregate carrying values recorded in the accompanying statement of financial position. The estimate is based on the assumption that fair value approximates carrying values due to short initial maturities. Financial instruments consist of cash and cash equivalents, accounts payable and payroll-related accruals.

NOTE 10: DATE OF MANAGEMENT'S REVIEW

Subsequent events were evaluated through May 6, 2016, the financial statements issuance date.

SUPPLEMENTARY INFORMATION

PEACEFUL VALLEY DONKEY RESCUE

SCHEDULE OF FUNCTIONAL EXPENSES
Year Ended December 31, 2015

		Supporting Services			
	Program Services	Management and General	Fund Raising	Total Supporting Services	Combined Total
Salaries and wages	$ 207,458	$ 88,640	$ 15,701	$ 104,341	$ 311,799
Payroll taxes	14,537	6,211	1,101	7,312	21,849
Employee benefits	59,291	25,333	4,487	29,820	89,111
Total payroll expenses	281,286	120,184	21,289	141,473	422,759
Animal care	1,012,957				1,012,957
Bank fees	1,856	16,729	9,044	25,773	27,629
Depreciation	43,413				43,413
Direct mail	169,743	11,455	826,891	838,346	1,008,089
Gift shop		212		212	212
Insurance		15,350		15,350	15,350
Miscellaneous	1,421	607	107	714	2,135
Office expense		10,318		10,318	10,318
Permits, fees, and taxes		60		60	60
Postage and printing		5,425		5,425	5,425
Professional fees		24,057		24,057	24,057
Public awareness	28,948				28,948
Repair and maintenance	99,961				99,961
Utilities	28,299				28,299
Total Expenses	$ 1,667,884	$ 204,397	$ 857,331	$ 1,061,728	$ 2,729,612

PEACEFUL VALLEY DONKEY RESCUE

SCHEDULE OF FUNCTIONAL EXPENSES
Year Ended December 31, 2014

	Program Services	Supporting Services: Management and General	Supporting Services: Fund Raising	Supporting Services: Total Supporting Services	Combined Total
Salaries and wages	$ 153,539	$ 93,579	$ 14,758	$ 108,337	$ 261,876
Payroll taxes	11,774	7,176	1,132	8,308	20,082
Employee benefits	38,849	23,678	3,734	27,412	66,261
Total payroll expenses	204,162	124,433	19,624	144,057	348,219
Animal care	889,407				889,407
Bank fees	2,859	7,766	10,317	18,083	20,942
Depreciation	47,519				47,519
Direct mail	212,032	12,536	765,166	777,702	989,734
Gift shop		6,668		6,668	6,668
Insurance		9,627		9,627	9,627
Miscellaneous	3,081	1,878	296	2,174	5,255
Office expense		14,269		14,269	14,269
Permits, fees, and taxes		13,368		13,368	13,368
Postage and printing		6,009		6,009	6,009
Professional fees		17,994		17,994	17,994
Public awareness	31,521				31,521
Repair and maintenance	95,005				95,005
Utilities	32,807				32,807
Website		900	900	1,800	1,800
Total Expenses	$ 1,518,393	$ 215,448	$ 796,303	$ 1,011,751	$ 2,530,144