

PEACEFUL VALLEY DONKEY RESCUE

AUDITED FINANCIAL STATEMENTS

DECEMBER 31, 2006

BURKEY, COX, EVANS & BRADFORD
Accountancy Corporation
44811 Date Avenue, Suite A
Lancaster, CA 93534

**PEACEFUL VALLEY DONKEY RESCUE
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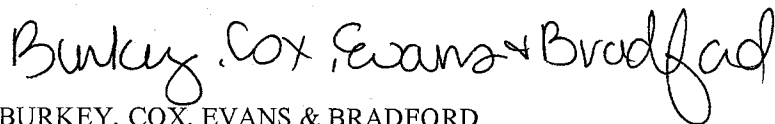
INDEPENDENT AUDITOR'S REPORT

Board of Directors
Peaceful Valley Donkey Rescue
Tehachapi, California

We have audited the accompanying statement of financial position of Peaceful Valley Donkey Rescue (a not-for-profit corporation) as of December 31, 2006, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Peaceful Valley Donkey Rescue as of December 31, 2006, and the changes in net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.



BURKEY, COX, EVANS & BRADFORD
Certified Public Accountants

Lancaster, California
June 20, 2007

**PEACEFUL VALLEY DONKEY RESCUE
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2006**

	<u>CURRENT OPERATING FUND</u>
<u>ASSETS</u>	
CURRENT ASSETS	
Cash	<u>\$276,907</u>
Total Current Assets	<u>276,907</u>
PROPERTY AND EQUIPMENT,	
Net of Accumulated Depreciation	<u>755,086</u>
Total Assets	<u><u>\$1,031,993</u></u>
<u>LIABILITIES AND NET ASSETS</u>	
LIABILITIES	
Accounts Payable	\$23,016
Notes Payable - Current	<u>99,297</u>
Total Current Liabilities	<u>122,313</u>
Notes Payable - Long Term	<u>173,703</u>
Total Long Term Liabilities	<u>173,703</u>
Total Liabilities	296,016
NET ASSETS	<u>735,977</u>
Total Liabilities and Net Assets	<u><u>\$1,031,993</u></u>

The accompanying Notes to Financial Statements are an integral part of these Statements.

**PEACEFUL VALLEY DONKEY RESCUE
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2006**

SUPPORT

Contributions		\$60,362
Fund Raising		<u>1,339,224</u>
Total Support		<u>1,399,586</u>

EXPENSES

Program Services		351,147
Management & General		107,982
Fund Raising		<u>649,606</u>
Total Expenses		<u>1,108,735</u>
Net Income from Operations		<u>290,851</u>

OTHER INCOME AND (EXPENSE)

Interest Income		9
Proceeds from Legal Settlement		4,000
Loss on Sale of Fixed Assets		<u>(5,432)</u>
Total Other Income / (Expense)		(1,423)
Change in Net Assets		<u>289,428</u>

NET ASSETS - Beginning of Year		<u>446,549</u>
NET ASSETS - End of Year		<u><u>\$735,977</u></u>

The accompanying Notes to Financial Statements are an integral part of these Statements.

**PEACEFUL VALLEY DONKEY RESCUE
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2006**

FUNCTIONAL EXPENSES	<u>PROGRAM SERVICES</u>	<u>SUPPORTING SERVICES</u>		<u>TOTAL</u>
		<u>MANAGEMENT AND GENERAL</u>	<u>FUND RAISING</u>	
Administrative Expenses		\$91,422		\$91,422
Animal Care	\$191,931			191,931
Depreciation	31,125			31,125
Fund Raising Expense			\$649,606	649,606
Office Expense		11,760		11,760
Payroll	90,443	4,800		95,243
Repairs and Maintenance	6,504			6,504
Interest Expense	22,057			22,057
Utilities	9,087			9,087
Total Expenses	<u>\$351,147</u>	<u>\$107,982</u>	<u>\$649,606</u>	<u>\$1,108,735</u>

The accompanying Notes to Financial Statements are an integral part of these Statements.

**PEACEFUL VALLEY DONKEY RESCUE
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2006**

CASH FLOWS FROM OPERATING ACTIVITIES

Net Income from Operations	\$290,851
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:	
Depreciation	31,125
Investment / Interest Income	9
Other Non-Operating Income	4,000
Changes in Assets - (Increase)/Decrease:	
Receivables	1,868
Changes in Liabilities - Increase/(Decrease):	
Accounts Payable	(3,878)
Accrued Interest Payable	<u>(6,000)</u>
Net Cash Provided (Used) by Operating Activities	<u>317,975</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Acquisition of Property and Equipment	<u>(224,756)</u>
Net Cash Provided (Used) by Investing Activities	<u>(224,756)</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Proceeds from Long-Term Borrowings	<u>6,000</u>
Net Cash Provided (Used) by Financing Activities	<u>6,000</u>

Net Increase (Decrease) in Cash	<u>99,219</u>
Cash - Beginning of Year	<u>177,688</u>
Cash - End of Year	<u><u>\$276,907</u></u>

SUPPLEMENTAL DISCLOSURES

Interest Paid During the Year	<u><u>\$22,057</u></u>
Taxes Paid During the Year	<u><u>\$150</u></u>

The accompanying Notes to Financial Statements are an integral part of these Statements.

PEACEFUL VALLEY DONKEY RESCUE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006

NOTE 1 – NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

Peaceful Valley Donkey Rescue is a not-for-profit corporation located in Tehachapi, California. The organization provides rescue services and/ or to seek out and obtain 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.

Summary of Significant Accounting Policies

Financial Statement Presentation

The Organization adopted Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations." Under SFAS No. 117, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. In addition, the Foundation is required to present a statement of cash flows. The Organization presently has no temporarily or permanently restricted net assets.

Contributions

The Foundation has also adopted SFAS No. 116, "Accounting for Contributions Received and Contributions Made," whereby contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Restricted net assets are reclassified to unrestricted net assets upon satisfaction of the time or purpose of restrictions.

Investments

The Corporation has adopted SFAS No. 124, "Accounting for Certain Investments Held by Not-for-Profit Organizations." Under SFAS No. 124, investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. For the fiscal year ended December 31, 2006, the Corporation had no investments.

Property and Equipment

Property and equipment acquired by purchase are recorded at cost and depreciated under the straight-line method over their estimated useful lives. Donations of property and equipment are recorded as support at their estimated fair value. Such donations 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 Corporation reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Corporation reclassifies temporarily restricted net assets to unrestricted net assets at that time.

The estimated useful lives of the assets are as follows:

Office Equipment	5-7 years
Machinery and Equipment	5-7 years
Improvements & Buildings	15-31 years

PEACEFUL VALLEY DONKEY RESCUE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006

NOTE 1 – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Income Tax Status

The Corporation qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Service Code and Section 23701d of the State of California Revenue and Taxation Code. No provision for taxes is required. The Corporation is not considered a private foundation.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Corporation considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Functional Expenses / Joint Costs

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

Source of Revenue

The Corporation receives its revenue from public donation, grants and fundraising. The Grants have no spending stipulations.

NOTE 2 – CASH

Cash consisted of the following:

Cash in Banks	Total	<u>\$276,907</u>
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All cash and certificates of deposit 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 \$100,000. As of December 31, 2006 the deposits in one institution exceeded the FDIC limit by \$133,952.

**PEACEFUL VALLEY DONKEY RESCUE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006**

NOTE 3 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

	Balance January 1, 2006	<u>Additions</u>	<u>Deletions</u>	Balance December 31, 2006
Office Equipment	\$8,102			\$8,102
Machinery and Equipment	60,666	\$19,020		79,686
Automotive Equipment	78,069	6,000	\$9,052	75,017
Building	10,168			10,168
Land	125,000	7,700		132,700
Construction in Progress	314,681	192,036		506,717
Totals	<u>\$596,686</u>	<u>\$224,756</u>	<u>\$9,052</u>	<u>812,390</u>
 <u>Accumulated Depreciation</u>				
Office Equipment	\$2,028	\$975		3,003
Machinery and Equipment	10,260	14,819		25,079
Automotive Equipment	16,910	15,003	\$3,620	28,293
Building	601	328		929
Totals	<u>\$29,799</u>	<u>\$31,125</u>	<u>\$3,620</u>	<u>57,304</u>
Net Property and Equipment				<u>\$755,086</u>

NOTE 4 – LEASE COMMITMENTS

A. Operating Leases

The Organization has not entered into any operating leases with remaining noncancelable lease terms in excess of twelve months.

B. Capital Leases

The Organization did not lease any equipment or buildings under an agreement that provides for title to pass upon expiration of the lease period.

**PEACEFUL VALLEY DONKEY RESCUE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006**

NOTE 5 – NOTES PAYABLE

The outstanding notes payable as of December 31, 2006 are as follows:

	<u>Current Portion</u>	<u>Long-Term Portion</u>	<u>Total</u>
Note Payable Loan Solutions Secured by land, Payable at \$725.83 per month including interest at 13.00%	\$67,000	\$0	\$67,000
Note Payable Mark Meyers Unsecured, Payable at \$6,858.08 per month including interest at 6.00%	<u>32,297</u>	<u>173,703</u>	<u>206,000</u>
Total	<u>\$99,297</u>	<u>\$173,703</u>	<u>\$273,000</u>

The annual requirements to repay the Organization's outstanding long-term debt as of December 31, 2006, are as follows:

For Year Ending <u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$99,297	\$12,656	\$111,953
2008	68,843	8,549	77,392
2009	73,090	4,303	77,393
2010	<u>31,770</u>	<u>479</u>	<u>32,249</u>
Totals	<u>\$273,000</u>	<u>\$25,987</u>	<u>\$298,987</u>

NOTE 6 – RELATED PARTY TRANSACTIONS

On June 1, 2005 the Organization has entered into a loan agreement with its 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 first payment is to occur at the end of year one, June 1, 2006 in an interest only payment of \$12,000. The second year's interest will be rolled into the payments that commence on June 1, 2007 effectively increasing the principal amount of the loan to \$212,000. The loan's final payment is in June of 2010. See note 5 for repayment terms.