

LIFESAVERS, INC.

FINANCIAL STATEMENTS

For the Years Ended June 30, 2017 and 2016

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COBB, DOERFLER & ASSOCIATES, CPA
A PROFESSIONAL CORPORATION
1039 WEST AVENUE J
LANCASTER, CALIFORNIA 93534

INDEPENDENT AUDITOR'S REPORT

To The Board of Directors of
Lifesavers, Inc.
Lancaster, California

We have audited the accompanying financial statements of Lifesavers, Inc. (a nonprofit California corporation), which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities, functional expenses 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 statement, 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 the 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 Lifesavers, Inc. as of June 30, 2017 and 2016, 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.

Cobb, Doerfler & Associates, CPA

COBB, DOERFLER & ASSOCIATES, CPA
January 2, 2018

LIFESAVERS, INC.
STATEMENTS OF FINANCIAL POSITION
June 30, 2017 and 2016

ASSETS

| | 2017 | 2016 |
|--|-------------------------|-------------------------|
| CURRENT ASSETS | | |
| Cash | \$ 496,548 | \$ 294,124 |
| Accounts receivable | 232 | 1,050 |
| Inventory | 11,051 | 19,944 |
| Prepaid expenses | <u>11,177</u> | <u>23,559</u> |
| Total Current Assets | <u>519,008</u> | <u>338,677</u> |
| PROPERTY, PLANT AND EQUIPMENT | | |
| Land | 1,760,637 | 1,760,137 |
| Buildings and improvements | 1,736,752 | 1,734,252 |
| Machinery and equipment | 441,504 | 448,851 |
| Office equipment | 14,632 | 14,632 |
| Furniture and fixtures | 21,656 | 21,358 |
| Horse equipment | 8,198 | 8,198 |
| Accumulated depreciation | <u>(1,231,074)</u> | <u>(1,135,200)</u> |
| Total Plant and Equipment | <u>2,752,305</u> | <u>2,852,228</u> |
| Total Assets | <u>\$ 3,271,313</u> | <u>\$ 3,190,905</u> |

LIFESAVERS, INC.
STATEMENTS OF FINANCIAL POSITION - continued
June 30, 2017 and 2016

LIABILITIES AND NET ASSETS

| | 2017 | 2016 |
|---|-------------------------|-------------------------|
| CURRENT LIABILITIES | | |
| Notes payable | \$ 66,070 | \$ 61,932 |
| Accounts payable | 64,954 | 143,828 |
| Accrued payroll | 5,262 | 5,522 |
| Accrued vacation | 3,544 | 2,809 |
| Payroll taxes and related liabilities payable | <u>1,449</u> | <u>2,550</u> |
| Total Current Liabilities | <u>141,279</u> | <u>216,641</u> |
| LONG TERM LIABILITIES | | |
| Notes payable | <u>211,474</u> | <u>277,544</u> |
| Total Long Term Liabilities | <u>211,474</u> | <u>277,544</u> |
| Total Liabilities | <u>352,753</u> | <u>494,185</u> |
| NET ASSETS | | |
| Unrestricted | 2,855,060 | 2,696,720 |
| Restricted | <u>63,500</u> | <u>-0-</u> |
| Total Net Assets | <u>2,918,560</u> | <u>2,696,720</u> |
| Total Liabilities and Net Assets | <u>\$ 3,271,313</u> | <u>\$ 3,190,905</u> |

LIFESAVERS, INC.
STATEMENTS OF ACTIVITIES
For the Years Ended June 30, 2017 and 2016

| | For the Year Ended June 30, 2017 | | | For the Year Ended June 30, 2016 | | |
|--------------------------------------|----------------------------------|---------------------------|---------------------|----------------------------------|---------------------------|---------------------|
| | Unrestricted | Temporarily Restricted | Total | Unrestricted | Temporarily Restricted | Total |
| SUPPORT AND REVENUES | | | | | | |
| Contributions - direct mailing | \$ 987,912 | \$ -0- | \$ 987,912 | \$ 1,169,471 | \$ -0- | \$ 1,169,471 |
| Contributions - other | 1,116,266 | 78,000 | 1,194,266 | 836,416 | 41,870 | 878,286 |
| Program revenues | 17,505 | -0- | 17,505 | 3,625 | -0- | 3,625 |
| Dividends and interest | 19 | -0- | 19 | 30 | -0- | 30 |
| Gain on sale of fixed assets | 2,472 | -0- | 2,472 | -0- | -0- | -0- |
| Miscellaneous | 7,132 | -0- | 7,132 | 4,588 | -0- | 4,588 |
| Release of restricted net assets | 14,500 | (14,500) | -0- | 41,870 | (41,870) | -0- |
| | <u>2,145,806</u> | <u>63,500</u> | <u>2,209,306</u> | <u>2,056,000</u> | <u>-0-</u> | <u>2,056,000</u> |
| EXPENSES AND LOSSES | | | | | | |
| Program services | 1,359,953 | -0- | 1,359,953 | 1,586,977 | -0- | 1,586,977 |
| Support services | | | | | | |
| Management and general | 278,640 | -0- | 278,640 | 215,862 | -0- | 215,862 |
| Fundraising | 348,873 | -0- | 348,873 | 504,956 | -0- | 504,956 |
| | <u>1,987,466</u> | <u>-0-</u> | <u>1,987,466</u> | <u>2,307,795</u> | <u>-0-</u> | <u>2,307,795</u> |
| Loss on disposal of fixed assets | -0- | -0- | -0- | 1,884 | -0- | 1,884 |
| | <u>-0-</u> | <u>-0-</u> | <u>-0-</u> | <u>1,884</u> | <u>-0-</u> | <u>1,884</u> |
| Total Expenses and Losses | <u>1,987,466</u> | <u>-0-</u> | <u>1,987,466</u> | <u>2,309,679</u> | <u>-0-</u> | <u>2,309,679</u> |
| Increase (Decrease) in Net Assets | 158,340 | 63,500 | 221,840 | (253,679) | -0- | (253,679) |
| Net Assets - beginning | <u>2,696,720</u> | <u>-0-</u> | <u>2,696,720</u> | <u>2,950,399</u> | <u>-0-</u> | <u>2,950,399</u> |
| Net Assets - ending | <u>\$ 2,855,060</u> | <u>\$ 63,500</u> | <u>\$ 2,918,560</u> | <u>\$ 2,696,720</u> | <u>\$ -0-</u> | <u>\$ 2,696,720</u> |

LIFESAVERS, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
For the Years Ended June 30, 2017 and 2016

| | 2017 | | | | 2016 | | | |
|--|---------------------|-------------------------|-------------------|---------------------|---------------------|-------------------------|-------------------|---------------------|
| | Support Services | | | | Support Services | | | |
| | Program Services | Management & General | Fundraising | Total | Program Services | Management & General | Fundraising | Total |
| Officer salary | \$ 26,960 | \$ 26,960 | \$ 13,480 | \$ 67,400 | \$ 26,960 | \$ 26,960 | \$ 13,479 | \$ 67,399 |
| Other salaries and wages | 229,828 | 98,498 | -0- | 328,326 | 288,845 | 39,274 | -0- | 328,119 |
| Employee benefits | <u>158,846</u> | <u>77,607</u> | <u>8,339</u> | <u>244,792</u> | <u>117,826</u> | <u>29,456</u> | <u>7,752</u> | <u>155,034</u> |
| Total Salaries and Related Costs: | 415,634 | 203,065 | 21,819 | 640,518 | 433,631 | 95,690 | 21,231 | 550,552 |
| Direct mail expense | 175,655 | 4,351 | 319,240 | 499,246 | 261,812 | 18,864 | 419,620 | 700,296 |
| Feed | 407,369 | -0- | -0- | 407,369 | 469,588 | -0- | -0- | 469,588 |
| Rescue expenses | 10,462 | -0- | -0- | 10,462 | 12,749 | -0- | -0- | 12,749 |
| Depreciation | 93,364 | 15,199 | -0- | 108,563 | 97,170 | 15,818 | -0- | 112,988 |
| Veterinarian expenses | 24,585 | -0- | -0- | 24,585 | 15,976 | -0- | -0- | 15,976 |
| Horse transportation | 2,627 | -0- | -0- | 2,627 | 1,100 | -0- | -0- | 1,100 |
| Facility lease | -0- | -0- | -0- | -0- | 3,087 | -0- | -0- | 3,087 |
| Interest | 20,964 | -0- | -0- | 20,964 | 31,718 | -0- | -0- | 31,718 |
| Meals and travel | 5,565 | 1,305 | -0- | 6,870 | 9,289 | 2,158 | -0- | 11,447 |
| Auto and trailer expenses | 31,934 | 13,686 | -0- | 45,620 | 30,857 | 13,224 | -0- | 44,081 |
| Office expense | 20,553 | 8,809 | -0- | 29,362 | 28,552 | 12,236 | -0- | 40,788 |
| Other fundraising expenses | -0- | -0- | 7,814 | 7,814 | -0- | -0- | 64,105 | 64,105 |
| Ranch maintenance | 47,468 | -0- | -0- | 47,468 | 78,173 | -0- | -0- | 78,173 |
| Property taxes | 9,133 | -0- | -0- | 9,133 | 7,627 | -0- | -0- | 7,627 |
| Insurance | 40,031 | 3,481 | -0- | 43,512 | 40,035 | 3,481 | -0- | 43,516 |
| Farrier | 31,700 | -0- | -0- | 31,700 | 16,996 | -0- | -0- | 16,996 |
| Educational | -0- | -0- | -0- | -0- | 97 | -0- | -0- | 97 |
| Legal and accounting | -0- | 15,391 | -0- | 15,391 | -0- | 32,160 | -0- | 32,160 |
| Licenses and fees | -0- | 10,378 | -0- | 10,378 | -0- | 15,646 | -0- | 15,646 |
| Security | -0- | -0- | -0- | -0- | 18,920 | -0- | -0- | 18,920 |
| Utilities | 13,275 | 1,917 | -0- | 15,192 | 14,746 | 3,686 | -0- | 18,432 |
| Wild Horse Warriors program | 5,262 | -0- | -0- | 5,262 | -0- | -0- | -0- | -0- |
| Other expenses | -0- | 1,058 | -0- | 1,058 | -0- | 2,899 | -0- | 2,899 |
| Contributions | 3,635 | -0- | -0- | 3,635 | 500 | -0- | -0- | 500 |
| Advertising and promotion | 737 | -0- | -0- | 737 | 9,795 | -0- | -0- | 9,795 |
| Gift shop cost of goods sold | -0- | -0- | -0- | -0- | 2,148 | -0- | -0- | 2,148 |
| Horse equipment | <u>-0-</u> | <u>-0-</u> | <u>-0-</u> | <u>-0-</u> | <u>2,411</u> | <u>-0-</u> | <u>-0-</u> | <u>2,411</u> |
| Total | <u>\$ 1,359,953</u> | <u>\$ 278,640</u> | <u>\$ 348,873</u> | <u>\$ 1,987,466</u> | <u>\$ 1,586,977</u> | <u>\$ 215,862</u> | <u>\$ 504,956</u> | <u>\$ 2,307,795</u> |

LIFESAVERS, INC.
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2017 and 2016

| | 2017 | 2016 |
|--|-------------------|-------------------|
| CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES | | |
| Change in net assets | \$ 221,840 | \$ (253,679) |
| Adjustments to reconcile change in net assets to net cash provided (used) by operating activities: | | |
| Depreciation | 108,563 | 112,988 |
| Miscellaneous (gains) losses | (2,472) | 1,884 |
| (Increase) Decrease in assets: | | |
| Accounts receivable | 818 | (1,050) |
| Inventory | 8,893 | 120 |
| Contractor and employee advances | -0- | 396 |
| Prepaid expenses | 12,382 | (11,009) |
| Increase (Decrease) in liabilities: | | |
| Accounts payable | (78,874) | 30,637 |
| Payroll taxes payable | (1,055) | 1,087 |
| Payroll liabilities | (43) | -0- |
| Accrued vacation | 735 | (422) |
| Accrued payroll | (260) | (7,637) |
| | 270,527 | (126,685) |
| CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES | | |
| Proceeds from sale of property and equipment | 4,100 | 1,640 |
| Additions to property and equipment | (10,271) | (93,403) |
| | (6,171) | (91,763) |
| CASH FLOWS PROVIDED (USED) BY FINANCING ACTIVITIES | | |
| Repayment of notes payable | (61,932) | (58,057) |
| | (61,932) | (58,057) |
| NET INCREASE IN CASH | 202,424 | (276,505) |
| CASH AT BEGINNING OF YEAR | 294,124 | 570,629 |
| CASH AT END OF YEAR | \$ 496,548 | \$ 294,124 |
| SUPPLEMENTAL DISCLOSURES | | |
| Interest paid | \$ 20,964 | \$ 31,718 |

LIFESAVERS, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016

NOTE A — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- 1) **Nature of Activities** — Lifesavers, Inc. was formally organized in 1997 and provides refuge, training and adoption placement services for hundreds of horses in need. Lifesavers, Inc. specializes in the rescue of American Mustangs, horses that are the descendants of the horses introduced to the North American continent by early explorers.

Lifesavers, Inc. conducts its operations from two locations, a 46 acre ranch in east Lancaster, California, and a 1,000 acre sanctuary in Twin Oaks, California. Lifesavers, Inc. can legally house in excess of 500 horses. Significant sources of revenue include voluntary donations through Lifesavers, Inc.'s direct mail campaign and from various programs. A description of Lifesavers, Inc.'s various programs can be found in Note B.

- 2) **Method of Accounting** — Lifesavers, Inc. maintains its books on the accrual basis of accounting and, accordingly, reflects all significant receivables, payables, and other liabilities.
- 3) **Basis of Presentation** — Lifesavers, Inc. 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. As of June 30, 2017 and 2016, Lifesavers, Inc. has temporarily restricted assets in the amount of \$63,500 and \$-0-, respectively. Lifesavers, Inc. has no permanently restricted assets as of June 30, 2017 and 2016.
- 4) **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.
- 5) **Cash and Cash Equivalents** — Lifesavers, Inc. considers all cash accounts and highly liquid investments with a maturity of three months or less to be cash equivalents. The carrying value of cash and cash equivalents approximates fair market value because of the short maturities of those financial instruments.
- 6) **Accounts Receivable** — Accounts receivable as of June 30, 2017 and 2016 consisted of royalty receivables, and are stated at the amount management expects to collect from outstanding balances. As these balances are expected to be fully collectible within the current period, no allowances for doubtful accounts have been accrued as of June 30, 2017 and 2016, respectively.
- 7) **Inventories** — Inventories are stated at the lower of cost or market determined by the first-in, first-out method. See Note F for further disclosure of the major classes of inventory on hand and their related dollar values as of June 30, 2017 and 2016.
- 8) **Property, Plant and Equipment** — Property and equipment with a value greater than \$400 and a life expectancy greater than one year are capitalized at cost. In the case of donated items, assets are capitalized at fair market value. Depreciation is computed using the straight-line method over the estimated useful life of the asset. Depreciation expense for the years ended June 30, 2017 and 2016 is \$108,563 and \$112,988, respectively.
- 9) **Compensated Absences** — It is the Lifesavers, Inc.'s policy to permit employees to accumulate a limited amount of earned but unused vacation. Any unused vacation is paid to employees upon separation from service. Unused vacation for the years ended June 30, 2017 and 2016 is \$3,544 and \$2,809, respectively.

LIFESAVERS, INC.
NOTES TO FINANCIAL STATEMENTS – continued
June 30, 2017 and 2016

NOTE A — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

- 10) **Expense Allocation** — The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.
- 11) **Income Taxes** — Lifesavers, Inc. is exempt from Federal and California income taxes under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code Section 23701(d), respectively.

NOTE B — MAJOR PROGRAMS

Since 1997, Lifesavers, Inc, otherwise known as Lifesavers Wild Horse Rescue, has been dedicated to saving wild and domestic horses from abuse, neglect and slaughter. Lifesavers gentles and trains the rescued horses at their Lancaster, CA ranch which prepares them for adoption to only the best homes. Certain rescued horses are deemed unadoptable for a variety of reasons and those deserving horses live out their natural lives at the beautiful wilderness sanctuary called Wild Horse Canyon, located in Caliente, CA.

The Lifesavers rescued horses have the opportunity to give back to those who supported their freedom from suffering by being involved in horsemanship focused Growth and Healing programs such as Wild Horse Boot Camp – a wild horse gentling workshop, Women’s Wild Horse Empowerment Journey – a retreat for women that will find their inner strength and courage by learning to gentle wild horses, and Wild Horse Warriors Journey – horse assisted therapy for veterans with PTSD, TBI, Depression and other invisible and physical post-war injuries.

Lifesavers cares for hundreds of rescued horses between its training/adoption ranch and its sanctuary and the need is ever-increasing. The sad reality is that there is no shortage of abused, abandoned, neglected and slaughter-bound horses in need of aid. Lifesavers strives to help these horses not just by providing refuge and medical care, but by finding new lifetime homes for the horses, and offering understanding, healing and advocacy among humans.

NOTE C — CONCENTRATIONS

Cash Balances — Lifesavers, Inc. maintains cash balances at several financial institutions located throughout the country. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. At June 30, 2017 and 2016, Lifesavers, Inc.’s uninsured cash balances totaled \$102,353 and \$-0-, respectively.

Revenues — During the years ended June 30, 2017 and 2016, Lifesavers, Inc. derived \$987,912 and \$1,169,471 or 45% and 57%, respectively, of its revenues through its direct mail campaign conducted by Fundraising Strategies (see Note K). Any significant interruptions or impairment of campaign revenues would have a significant adverse impact on Lifesavers, Inc.

LIFESAVERS, INC.
NOTES TO FINANCIAL STATEMENTS – continued
June 30, 2017 and 2016

NOTE D — CASH

Cash consists of the following:

| | 2017 | 2016 |
|---|-------------------|-------------------|
| California Bank & Trust, Savings Account | \$ 332,805 | \$ 139,368 |
| California Bank & Trust, General Checking Account | 7,687 | 20,154 |
| California Bank & Trust, Sanctuary Account | 4,589 | 29,511 |
| California Bank & Trust, Saving Builder Account | 7,272 | 56,088 |
| First Virginia Community Bank-Escrow account | 78,167 | 44,859 |
| Bank of the Sierra | 54,620 | -0- |
| FRS-Postage account | 9,085 | 3,189 |
| Petty cash | -0- | 955 |
| PayPal, General | <u>2,323</u> | <u>-0-</u> |
| | <u>\$ 496,548</u> | <u>\$ 294,124</u> |

At June 30, 2017 and 2016, Lifesavers, Inc. had \$87,252 and \$48,048, respectively, of contractually restricted cash. The restricted cash is held in an escrow account at the First Virginia Community Bank by the Washington Intelligence Bureau and at various mail houses and is used by Fund Raising Strategies in its direct mail campaign. No amounts were shown as non-current as of June 30, 2017 and 2016, as all funds are expected to be used in the direct mail campaign in the current operating cycle.

NOTE E — ACCOUNTS RECEIVABLE

Accounts receivable consists of the following:

| | 2017 | 2016 |
|--------------------|---------------|-----------------|
| Royalty receivable | <u>\$ 232</u> | <u>\$ 1,050</u> |
| | <u>\$ 232</u> | <u>\$ 1,050</u> |

NOTE F — INVENTORY

Inventory consists of the following:

| | 2017 | 2016 |
|--|------------------|------------------|
| Merchandise | \$ 11,051 | \$ 11,051 |
| Direct Mail Campaign – general supplies | -0- | 955 |
| Direct Mail Campaign – fulfillment items | <u>-0-</u> | <u>7,938</u> |
| | <u>\$ 11,051</u> | <u>\$ 19,944</u> |

LIFESAVERS, INC.
NOTES TO FINANCIAL STATEMENTS – continued
June 30, 2017 and 2016

NOTE G — PREPAID EXPENSES

Prepaid expenses consist of the following:

| | 2017 | 2016 |
|------------------------|------------------|------------------|
| Prepaid insurance | \$ 11,177 | \$ 23,435 |
| Miscellaneous expenses | <u>-0-</u> | <u>124</u> |
| | <u>\$ 11,177</u> | <u>\$ 23,559</u> |

NOTE H – NOTES PAYABLE

| | <u>Current</u> | <u>Long-term</u> | <u>Total</u> |
|--|------------------|-------------------|-------------------|
| Luis and Rosalia Aceves – promissory note, monthly principal and interest payments of \$1,809, interest at 7% per annum. Due November 30, 2024. Note is secured by underlying real property. | \$ 18,612 | \$ 34,105 | \$ 52,717 |
| Charles & Terri Church – promissory note, monthly principal and interest payments of \$1,510, interest at 5% per annum. Due June 1, 2019. Note is secured by underlying real property. | 16,838 | 16,387 | 33,225 |
| Sequoia Wilderness, LLC – promissory note, monthly interest and principal payments of \$3,584, interest at 7% per annum. Due November 30, 2024. Note is secured by underlying real property. | <u>30,620</u> | <u>160,982</u> | <u>191,602</u> |
| Total Notes Payable | <u>\$ 66,070</u> | <u>\$ 211,474</u> | <u>\$ 277,544</u> |

Maturities of long-term debt are as follows:

| Year Ending June 30, | Amount |
|-------------------------|-------------------|
| 2018 | \$ 66,070 |
| 2019 | 69,179 |
| 2020 | 49,357 |
| 2021 | 37,754 |
| 2022 | 40,483 |
| Thereafter | <u>14,701</u> |
| | <u>\$ 277,544</u> |

LIFESAVERS, INC.
NOTES TO FINANCIAL STATEMENTS – continued
June 30, 2017 and 2016

NOTE I — Temporarily Restricted Net Assets

At June 30, 2016 and 2015, temporarily restricted net assets were available for use as follows:

| | 2017 | 2016 |
|---|------------------|---------------|
| Land | \$ 49,500 | \$ -0- |
| Repairs & Maintenance | <u>14,000</u> | <u>-0-</u> |
| Total Temporarily Restricted Net Assets | <u>\$ 63,500</u> | <u>\$ -0-</u> |

NOTE J — ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions by incurring expenses satisfying restricted purposes during the years ended June 30, 2017 and 2016 as follows:

| | 2017 | 2016 |
|--|------------------|------------------|
| Pavement of new road | \$ -0- | \$ 30,000 |
| Land | 500 | -0- |
| Wild Horse Warrior | -0- | 11,870 |
| Veterinarian & Medical Expenses | 5,000 | -0- |
| Repairs & Maintenance | <u>9,000</u> | <u>-0-</u> |
| Total Net Assets Released from Restriction | <u>\$ 14,500</u> | <u>\$ 41,870</u> |

NOTE K — DIRECT MAIL CAMPAIGN

For the years ended June 30, 2017 and 2016 Lifesavers, Inc. worked with Fundraising Strategies to educate the public and solicit donations using a direct mailing technique. Letters are composed by Jill Starr and Fundraising Strategies, and then distributed to individuals whose names appear on purchased mailing lists. Jill Starr approves all letters and disbursements. Lifesavers, Inc. employed the Washington Intelligence Bureau during the current year to receive and deposit all donations generated by this method.

For the years ended June 30, 2017 and 2016, expenses related to the direct mail campaign totaled \$499,246 and \$700,296, respectively, or 51% and 60% of the total direct mail campaign contribution revenue. Net contributions received from this fundraising operation were \$488,666 and \$469,175, respectively, for the years ended June 30, 2017 and 2016. The ratio of expenses to amounts raised is computed using actual expenses and related contributions on an accrual basis

Since the goals of Lifesavers, Inc.'s direct mail campaign are both educational and fundraising in nature, the costs of conducting these campaigns are considered joint costs that are not directly attributable to either the program or the fundraising component of the activities. Those joint costs were allocated as follows for the years ended June 30, 2017 and 2016:

| | 2017 | 2016 |
|------------------------|-------------------|-------------------|
| Program Services | \$ 175,655 | \$ 261,812 |
| Management and General | 4,351 | 18,864 |
| Fundraising | <u>319,240</u> | <u>419,620</u> |
| | <u>\$ 499,246</u> | <u>\$ 700,296</u> |

LIFESAVERS, INC.
NOTES TO FINANCIAL STATEMENTS – continued
June 30, 2017 and 2016

NOTE L — ADVERTISING

Lifesavers, Inc. uses advertising to promote its horse rescue program among the audiences it serves. The production costs of advertising are expensed as incurred. During 2017 and 2016, advertising costs totaled \$737 and \$9,795, respectively.

NOTE M — RELATED PARTY DISCLOSURES

Jill Starr as the Founder and Executive Director has a vehicle available for personal use and for errands such as banking, small item transport, and for travel between both Lifesavers, Inc. locations.

On February 9, 2008, the board voted to hire Karen Fromel, a Director on the board and sister of the Executive Director Jill Starr, as Lifesavers, Inc.'s grant writer. In her capacity as the Director of Development and as the Grant Writer, Karen has raised hundreds of thousands of dollars in grant awards for Lifesavers, Inc. During 2015 Karen also became the President of Lifesavers, Inc. and acted as the interim Executive Director of Lifesavers, Inc. during a portion of the 2015-16 fiscal year. In August 2016, Karen resigned from the board and currently no longer serves as a director or an officer of the corporation. As of June 30, 2017 and 2016, her annual salary was set at \$64,480 and \$64,000, respectively.

NOTE N — SUBSEQUENT EVENTS

Management has evaluated subsequent events through January 2, 2018, the date the financial statements were available to be issued. During this review no subsequent events were noted.