

LIFESAVERS, INC.

FINANCIAL STATEMENTS

For the Years Ended June 30, 2014 and 2013

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LIFESAVERS, INC.
STATEMENTS OF FINANCIAL POSITION
June 30, 2014 and 2013

ASSETS

	2014	2013
CURRENT ASSETS		
Cash	\$ 261,939	\$ 574,236
Accounts receivable	623	623
Inventory	24,723	23,940
Prepaid expenses	1,840	8,787
Employee advances	<u>91</u>	<u>1,738</u>
 Total Current Assets	 <u>289,216</u>	 <u>609,324</u>
 PLANT AND EQUIPMENT		
Land	1,500,581	1,319,302
Buildings and improvements	1,481,302	1,374,248
Machinery and equipment	463,790	385,635
Office equipment	13,540	21,396
Furniture and fixtures	22,608	18,334
Horse equipment	8,198	8,198
Accumulated depreciation	<u>(967,241)</u>	<u>(877,551)</u>
 Total Plant and Equipment	 <u>2,522,778</u>	 <u>2,249,562</u>
 Total Assets	 <u>\$ 2,811,994</u>	 <u>\$ 2,858,886</u>

LIFESAVERS, INC.
STATEMENTS OF FINANCIAL POSITION - continued
June 30, 2014 and 2013

LIABILITIES AND NET ASSETS

	2014	2013
CURRENT LIABILITIES		
Notes payable	\$ 64,636	\$ 37,240
Accounts payable	40,459	69,752
Accrued payroll	7,076	4,745
Payroll taxes and related liabilities payable	<u>5,251</u>	<u>1,794</u>
 Total Current Liabilities	 <u>117,422</u>	 <u>113,531</u>
 LONG TERM LIABILITIES		
Notes payable	<u>436,878</u>	<u>372,983</u>
 Total Long Term Liabilities	 <u>436,878</u>	 <u>372,983</u>
 Total Liabilities	 <u>554,300</u>	 <u>486,514</u>
 NET ASSETS		
Unrestricted	2,257,694	2,196,685
Temporarily restricted	<u>-0-</u>	<u>175,687</u>
 Total Net Assets	 <u>2,257,694</u>	 <u>2,372,372</u>
 Total Liabilities and Net Assets	 <u>\$ 2,811,994</u>	 <u>\$ 2,858,886</u>

LIFESAVERS, INC.
STATEMENTS OF ACTIVITIES
For the Years Ended June 30, 2014 and 2013

	For the Year Ended June 30, 2014			For the Year Ended June 30, 2013		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUES						
Contributions - direct mailing	\$ 1,439,958	\$ -0-	\$ 1,439,958	\$ 1,474,051	\$ -0-	\$ 1,474,051
Contributions - other	534,065	74,500	608,565	555,368	532,441	1,087,809
Program revenues	18,016	-0-	18,016	24,609	-0-	24,609
Royalties	-0-	-0-	-0-	6,141	-0-	6,141
Dividends and interest	3,632	-0-	3,632	42	-0-	42
Miscellaneous	4,317	-0-	4,317	40,901	-0-	40,901
Release of restricted net assets	<u>250,187</u>	<u>(250,187)</u>	<u>-0-</u>	<u>394,899</u>	<u>(394,899)</u>	<u>-0-</u>
Total Revenues	<u>2,250,175</u>	<u>(175,687)</u>	<u>2,074,488</u>	<u>2,496,011</u>	<u>137,542</u>	<u>2,633,553</u>
EXPENSES AND LOSSES						
Program services	1,654,555	-0-	1,654,555	1,623,225	-0-	1,623,225
Support services						
Management and general	118,365	-0-	118,365	138,820	-0-	138,820
Fundraising	<u>406,346</u>	<u>-0-</u>	<u>406,346</u>	<u>471,911</u>	<u>-0-</u>	<u>471,911</u>
Total Expenses	2,179,266	-0-	2,179,266	2,233,956	-0-	2,233,956
Loss on disposal of fixed assets	<u>9,900</u>	<u>-0-</u>	<u>9,900</u>	<u>5,588</u>	<u>-0-</u>	<u>5,588</u>
Total Losses	<u>9,900</u>	<u>-0-</u>	<u>9,900</u>	<u>5,588</u>	<u>-0-</u>	<u>5,588</u>
Total Expenses and Losses	<u>2,189,166</u>	<u>-0-</u>	<u>2,189,166</u>	<u>2,239,544</u>	<u>-0-</u>	<u>2,239,544</u>
Increase (Decrease) in Net Assets	61,009	(175,687)	(114,678)	256,467	137,542	394,009
Net Assets - beginning	<u>2,196,685</u>	<u>175,687</u>	<u>2,372,372</u>	<u>1,940,218</u>	<u>38,145</u>	<u>1,978,363</u>
Net Assets - ending	<u>\$ 2,257,694</u>	<u>\$ -0-</u>	<u>\$ 2,257,694</u>	<u>\$ 2,196,685</u>	<u>\$ 175,687</u>	<u>\$ 2,372,372</u>

LIFESAVERS, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
For the Years Ended June 30, 2014 and 2013

	2014				2013			
	Support Services				Support Services			
	Program Services	Management & General	Fundraising	Total	Program Services	Management & General	Fundraising	Total
Officer salary	\$ 22,893	\$ 22,892	\$ 11,446	\$ 57,231	\$ 23,174	\$ 23,174	\$ 11,588	\$ 57,936
Other salaries and wages	209,404	-0-	-0-	209,404	202,051	-0-	-0-	202,051
Employee benefits	<u>63,233</u>	<u>4,973</u>	<u>2,842</u>	<u>71,048</u>	<u>75,815</u>	<u>6,962</u>	<u>4,351</u>	<u>87,128</u>
Total Salaries and Related Costs	295,530	27,865	14,288	337,683	301,040	30,136	15,939	347,115
Direct mail expense	510,751	35,224	334,630	880,605	588,692	46,477	402,319	1,037,488
Feed	305,571	-0-	-0-	305,571	334,834	-0-	-0-	334,834
Rescue expenses	22,717	-0-	-0-	22,717	29,585	-0-	-0-	29,585
Depreciation	83,381	18,303	-0-	101,684	72,424	16,583	-0-	89,007
Veterinarian expenses	18,233	-0-	-0-	18,233	24,809	-0-	-0-	24,809
Horse transportation	25,110	-0-	-0-	25,110	1,974	-0-	-0-	1,974
Facility lease	153,926	-0-	-0-	153,926	63,180	-0-	-0-	63,180
Interest	33,226	-0-	-0-	33,226	33,690	-0-	-0-	33,690
Meals and travel	12,814	1,115	-0-	13,929	30,647	2,665	-0-	33,312
Auto and trailer expenses	9,548	3,900	-0-	13,448	27,386	11,186	-0-	38,572
Office expense	20,028	7,789	-0-	27,817	19,340	7,899	-0-	27,239
Other fundraising expenses	-0-	-0-	57,428	57,428	-0-	-0-	53,653	53,653
Ranch maintenance	64,535	-0-	-0-	64,535	26,328	-0-	-0-	26,328
Property taxes	-0-	-0-	-0-	-0-	7,635	664	-0-	8,299
Insurance	28,034	2,438	-0-	30,472	19,916	1,732	-0-	21,648
Farrier	19,190	-0-	-0-	19,190	16,490	-0-	-0-	16,490
Educational	20,383	-0-	-0-	20,383	-0-	-0-	-0-	-0-
Legal and accounting	-0-	14,443	-0-	14,443	-0-	12,005	-0-	12,005
Licenses and fees	-0-	4,770	-0-	4,770	-0-	7,454	-0-	7,454
Utilities	10,071	2,518	-0-	12,589	8,075	2,019	-0-	10,094
Other expenses	19,885	-0-	-0-	19,885	237	-0-	-0-	237
Contributions	25	-0-	-0-	25	500	-0-	-0-	500
Advertising and promotion	150	-0-	-0-	150	42	-0-	-0-	42
Gift shop cost of goods sold	-0-	-0-	-0-	-0-	16,015	-0-	-0-	16,015
Horse equipment	744	-0-	-0-	744	386	-0-	-0-	386
Western State Horse Expo	<u>703</u>	<u>-0-</u>	<u>-0-</u>	<u>703</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total	<u>\$ 1,654,555</u>	<u>\$ 118,365</u>	<u>\$ 406,346</u>	<u>\$ 2,179,266</u>	<u>\$ 1,623,225</u>	<u>\$ 138,820</u>	<u>\$ 471,911</u>	<u>\$ 2,233,956</u>

LIFESAVERS, INC.
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2014 and 2013

	2014	2013
CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES		
Change in net assets	\$ (114,678)	\$ 394,009
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	101,684	89,007
Miscellaneous (gains) losses	9,900	5,588
(Increase) Decrease in assets:		
Accounts receivable	-0-	6,857
Inventory	(783)	16,621
Contractor and employee advances	1,647	(1,738)
Prepaid expenses	6,947	(1,247)
Increase (Decrease) in liabilities:		
Accounts payable	(29,293)	8,531
Payroll taxes payable	3,457	267
Accrued payroll	<u>2,331</u>	<u>1,000</u>
Net Cash Provided (Used) by Operating Activities	(18,788)	518,895
CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES		
Proceeds from sale of property and equipment	-0-	2,400
Loss of deposit on property	(9,900)	-0-
Additions to property and equipment	<u>(374,900)</u>	<u>(298,199)</u>
Net Cash Provided (Used) by Investing Activities	<u>(384,800)</u>	<u>(295,799)</u>
CASH FLOWS PROVIDED (USED) BY FINANCING ACTIVITIES		
Issuance of notes payable	138,514	-0-
Repayment of notes payable	<u>(47,223)</u>	<u>(34,729)</u>
Net Cash Provided (Used) by Financing Activities	<u>91,291</u>	<u>(34,729)</u>
NET INCREASE IN CASH	(312,297)	188,367
CASH AT BEGINNING OF YEAR	<u>574,236</u>	<u>385,869</u>
CASH AT END OF YEAR	<u>\$ 261,939</u>	<u>\$ 574,236</u>
SUPPLEMENTAL DISCLOSURES		
Interest paid	\$ 33,226	\$ 33,690

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying statements of financial position of Lifesavers, Inc. (a nonprofit California corporation), which comprise the statements of financial position as of June 30, 2014 and 2013, 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 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 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, 2014 and 2013, 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, 2015

LIFESAVERS, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2014 and 2013

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 700 acre sanctuary in Twin Oaks, California. The Organization can legally house in excess of 500 horses. Significant sources of revenue include voluntary donations through Lifesavers' direct mail campaign and from various programs. A description of the Organization'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** — 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. As of June 30, 2014 and 2013, the Organization had temporarily restricted net assets of \$-0- and \$175,687, respectively.
- 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, 2014 and 2013 consisted of credit card receivables, pledges receivable, and 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, 2014 and 2013, 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, 2014 and 2013.
- 8) **Investments** — Lifesavers, Inc. carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the Statement of Financial Position. Unrealized gains and losses are included in the change in net assets in the accompanying Statement of Activities.
- 9) **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, 2014 and 2013 is \$101,684 and \$89,007, respectively.

LIFESAVERS, INC.
NOTES TO FINANCIAL STATEMENTS – continued
June 30, 2014 and 2013

NOTE A — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

- 10) **Donated Services** — No amounts have been reflected in the financial statements for donated services. Lifesavers, Inc. generally pays for services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist Lifesavers with specific programs.
- 11) **Donated Assets** — Donated marketable securities and other non-cash donations are recorded as contributions at their estimated fair values at the date of donation.
- 12) **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.
- 13) **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

The Organization's programs consist of the following:

Sanctuary — Located at Lifesavers' 700 acre site in Twin Oaks, California, Sanctuary is intended to provide a permanent, natural habitat home for rescued mustangs. Sanctuary allows many of the Organization's mustangs – those who are less adoptable or not well-suited to life in captivity – to live out their lives in an environment that is as close as possible to freedom on the range.

Healing — Healing programs developed around wild horse gentling are offered to American Veterans who suffer from PTSD and other debilitating war related injuries.

Adoption — Adopters may choose from foals, young mares and geldings, and even trained saddle horses. The Organization's staff works to prepare horses for adoption by first teaching them basic ground skills such as haltering, leading, standing quiet for handling, and trailer loading. Lifesavers helps prospective adopters find the horse that will be right for them, and provides education to ensure that the adopter will be successful with the horse. In the event that an adopter becomes unable to continue caring for their adopted equine, the adopter agrees to return it to Lifesavers; in this way, Lifesavers ensures that none of their rescued horses will need to be rescued a second time.

Though Lifesavers frequently takes in pregnant mares and sometimes has foals available for adoption, Lifesavers is a non-breeding facility and works to educate horse owners about the consequences of unnecessary horse breeding and the resulting "unwanted horse" crisis.

Rescue — Mustangs come to Lifesavers from a variety of sources and for many different reasons. Some come from government agencies responsible for wild horse management, such as the Bureau of Land Management and the Nevada Department of Agriculture. Other horses are surrendered by their owners who had adopted or purchased them and later realize they don't have the time, knowledge or resources to properly train or care for a horse. Many of the horses purchased come from public auctions to prevent them from being purchased by "killer buyers," who buy and sell unwanted horses for meat.

LIFESAVERS, INC.
NOTES TO FINANCIAL STATEMENTS – continued
June 30, 2014 and 2013

NOTE B — MAJOR PROGRAMS – continued

Education — In hopes of building a future in which no horse needs to be rescued, Lifesavers offers a number of educational programs and clinics designed to support the horse-owning public. Clinics offered include basic horse care, safe handling, working with obstacles, saddle-starting and overcoming fears, as well as workshops providing an introduction to the concepts and practices of natural horsemanship. Lifesavers also offers Wild Horse Boot Camp, an exciting hands-on experience in which participants learn to safely and effectively gentle, handle and train a wild horse under the supervision and guidance of experienced clinicians.

In addition to these hands-on learning opportunities, Lifesavers occasionally offers free public events such as equine health and safety fairs, natural horse care seminars, open house events and training demonstrations.

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, 2014 and 2013, the Organization’s uninsured cash balances totaled \$-0- and \$242,175, respectively.

Revenues — During the years ended June 30, 2014 and 2013, Lifesavers derived \$1,439,958 and \$1,474,051 or 69% and 55%, respectively, of its revenues through its direct mail campaign conducted by Fundraising Strategies (see Note L). Any significant interruptions or impairment of campaign revenues would have a significant adverse impact on the Organization.

NOTE D — CASH

Cash consists of the following:

	2014	2013
Antelope Valley Bank, Savings Account	\$ 153,719	\$ 409,856
Antelope Valley Bank, General Checking Account	(2,452)	22,194
Antelope Valley Bank, Sanctuary Account	2,395	1,602
Antelope Valley Bank, Nevada Facility Account	-0-	58,523
Wells Fargo Bank, Red Horse Nation Checking Account	(331)	(331)
Wells Fargo Bank, Red Horse Nation Savings Account	(5)	(5)
First Virginia Community Bank-Escrow account	84,814	63,119
FRS-Postage account	4,732	3,867
Petty cash	18,336	10,208
PayPal, General	<u>731</u>	<u>5,203</u>
	<u>\$ 261,939</u>	<u>\$ 574,236</u>

At June 30, 2014 and 2013, Lifesavers had \$89,546 and \$66,986, 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, 2014 and 2013, as all funds are expected to be used in the direct mail campaign in the current operating cycle.

LIFESAVERS, INC.
NOTES TO FINANCIAL STATEMENTS – continued
June 30, 2014 and 2013

NOTE E — ACCOUNTS RECEIVABLE

Accounts receivable consists of the following:

	2014	2013
Pledges receivable	\$ <u>623</u>	\$ <u>623</u>
	<u>\$ 623</u>	<u>\$ 623</u>

NOTE F — INVENTORY

Inventory consists of the following:

	2014	2013
Merchandise	\$ 7,228	\$ 5,311
Direct Mail Campaign – general supplies	4,689	4,689
Direct Mail Campaign – fulfillment items	<u>12,806</u>	<u>13,940</u>
	<u>\$ 24,723</u>	<u>\$ 23,940</u>

NOTE G — PREPAID EXPENSES

Prepaid expenses consist of the following:

	2014	2013
Prepaid insurance	\$ <u>1,840</u>	\$ <u>8,787</u>
	<u>\$ 1,840</u>	<u>\$ 8,787</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.	\$ 15,095	\$ 86,261	\$ 101,356
CNH Capital – promissory note, monthly principal and interest payments of \$1,077, interest at 5% per annum. Due September 18, 2018 Note is secured by related equipment.	10,207	39,345	49,552
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.	14,497	64,481	78,978
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>24,837</u>	<u>246,791</u>	<u>271,628</u>
Total Notes Payable	<u>\$ 64,636</u>	<u>\$ 436,878</u>	<u>\$ 501,514</u>

LIFESAVERS, INC.
NOTES TO FINANCIAL STATEMENTS – continued
June 30, 2014 and 2013

NOTE H – NOTES PAYABLE–continued

Maturities of long-term debt are as follows:

Year Ending June 30,	Amount
2015	\$ 64,636
2016	69,625
2017	73,970
2018	78,598
2019	72,389
Thereafter	<u>142,296</u>
	<u>\$ 501,514</u>

NOTE I – TEMPORARILY RESTRICTED NET ASSETS

At June 30, 2014 and 2013, temporarily restricted net assets were available for use as follows:

	2014	2013
Hay purchases	<u>\$ -0-</u>	<u>\$ 175,687</u>
Total Temporarily Restricted Net Assets	<u>\$ -0-</u>	<u>\$ 175,687</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, 2014 and 2013 as follows:

	2014	2013
The Ride Home	\$ -0-	\$ 38,145
Hay purchases	176,187	85,313
Equipment purchases	11,000	36,441
Purchase of land and building	20,000	225,000
TAP program	-0-	10,000
Fencing	17,000	-0-
Veterinary expenses	5,000	-0-
Special programs	<u>21,000</u>	<u>-0-</u>
Total Net Assets Released from Restriction	<u>\$ 250,187</u>	<u>\$ 394,899</u>

LIFESAVERS, INC.
NOTES TO FINANCIAL STATEMENTS – continued
June 30, 2014 and 2013

NOTE K – FACILITY LEASE AGREEMENT

On March 15, 2011, Lifesavers entered into a lease with Deans Ranch Enterprise to lease a facility in South Dakota for the purposes of pasturing 120 to 212 horses. The lease was a twelve month lease and the payments due under the lease were \$-0- and \$27,980, respectively, for the years ended March 15, 2013. However, under the terms of the lease, Lifesavers had the option to renew the lease at its discretion for up to a three year period, subject to an annual renegotiation of pasture fees. On March 16, 2013, Lifesavers entered into a new lease with Deans Ranch Enterprises for \$35,200 per annum. Total rental expense incurred under these leases during the year ended June 30, 2014 and 2013 was \$3,500 and \$63,180, respectively. Upon expiration of the lease, it was not renewed.

NOTE L — DIRECT MAIL CAMPAIGN

For the years ended June 30, 2014 and 2013 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, 2014 and 2013, expenses related to the direct mail campaign totaled \$880,605 and \$1,037,488, respectively, or 61% and 70% of the total direct mail campaign contribution revenue. Net contributions received from this fundraising operation were \$559,353 and \$436,563, respectively, for the years ended June 30, 2014 and 2013. The ratio of expenses to amounts raised is computed using actual expenses and related contributions on an accrual basis

Since the goals of the Organization'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, 2014 and 2013:

	2014	2013
Program Services	\$ 510,751	\$ 588,692
Management and General	35,224	46,477
Fundraising	<u>334,630</u>	<u>402,319</u>
	<u>\$ 880,605</u>	<u>\$ 1,037,488</u>

NOTE M — 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 2014 and 2013, advertising costs totaled \$150 and \$42, respectively.

NOTE N — RELATED PARTY DISCLOSURES

As of June 30, 2014 and 2013, Jill Starr, the president of Lifesavers, was provided with housing and a company vehicle for off duty personal use by the Organization.

During the years ended June 30, 2014 and 2013, Karen Fromel, the director of Lifesavers and the sister of Jill Starr, received \$43,668 and \$47,000, respectively, in compensation for grant writing services provided to the Organization.

LIFESAVERS, INC.
NOTES TO FINANCIAL STATEMENTS – continued
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NOTE O — SUBSEQUENT EVENTS

Management has evaluated subsequent events through January 2, 2015, the date the financial statements were available to be issued. No events were identified that would merit disclosure.