Lifesavers, Inc.

Financial Statements

June 30, 2022

C O N T E N T S

BARBICH HOOPER KING
DILL HOFFMAN
ACCOUNTANCY CORPORATION

Independent Auditors' Report

Board of Directors
Lifesavers, Inc.
Caliente, California

Opinion

We have audited the accompanying financial statements of Lifesavers, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2022 and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

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, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Lifesavers, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Lifesavers, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued

P.O. BOX 11171 | BAKERSFIELD, CA 93389
5001 E. COMMERCENTER DRIVE | SUITE 350 | BAKERSFIELD, CA 93309
(661) 631-1171 OFFICE | (661) 631-0244 FAX | BHKCPAS.com

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Lifesavers, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Lifesavers, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

BARBICH HOOPER KING
DILL HOFFMAN
Accountancy Corporation

Barbich Hooper King

Bakersfield, California
April 12, 2023

Lifesavers, Inc.
Statement of Financial Position
June 30, 2022

ASSETS	
Current Assets	
Cash and cash equivalents	$ 1,121,619
Unconditional promise to give, current portion	49,843
Inventory	34,205
Prepaid expenses	14,831
	1,220,498
Property and Equipment	
Land and improvements	2,419,365
Buildings and improvements	1,774,206
Fencing and corrals	815,086
Machinery and equipment	251,898
Vehicles	219,911
Horse equipment	63,459
Furniture and fixtures	17,288
Office equipment	9,809
	5,571,022
Less accumulated depreciation	1,748,527
	3,822,495
Other Assets	
Beneficial interest in charitable trust held by others	247,683
Unconditional promises to give, less current portion	183,526
	431,209
	$ 5,474,202

See Notes to Financial Statements.

LIABILITIES AND NET ASSETS	
Current Liabilities	
Notes payable, current maturities	$ 614
Accounts payable	184,234
Accrued payroll and related taxes	8,142
Accrued vacation	5,708
Accrued expenses	3,905
	202,603
Notes Payable, less current maturities	232,240
Net Assets	
Without donor restrictions	5,039,359
	$ 5,474,202

Lifesavers, Inc.
Statement of Activities
For the Year Ending June 30, 2022

Net assets without donor restrictions:	
Donations	$ 1,638,255
Grants and bequests	34,500
Program revenues	6,300
Other income/expenses, net	(11,575)
Loss on sale of assets	8,168
Net realized and unrealized loss on investments	(2,300)
Gain from forgiveness of PPP loan	90,682
	1,764,030
Direct mail campaign fundraising	954,954
Direct mail expenses	(633,490)
	321,464
Merchandise sales	28,424
In-kind donations	3,636
Less cost of sales	(24,105)
	7,955
Total income without donor restrictions	2,093,449
Net assets released from restrictions	50,000
Total suppport without donor restrictions	2,143,449
Expenses:	
Program expenses	1,458,933
Management and general expenses	201,128
Fundraising expenses	64,327
Total expenses	1,724,388
Increase in net assets without donor restrictions	419,061
Net assets with donor restrictions:	
Grants	50,000
Net assets released from restrictions	(50,000)
Change in net assets with donor restrictions	-
Change in net assets	419,061
Net assets, beginning of year	4,620,298
Net assets, end of year	$ 5,039,359

See Notes to Financial Statements.

Lifesavers, Inc.
Statement of Functional Expenses
For The Year Ending June 30, 2022

	Program Expenses	Management and General	Fund-raising	Total
Compensation and related expenses:				
Officer salary	$ 7,500	$ 45,000	$ 22,500	$ 75,000
Other salaries and wages	271,612	65,520	9,843	346,975
Employee benefits	177,156	14,209	4,351	195,716
	456,268	124,729	36,694	617,691
Feed	587,211	-	-	587,211
Rescue expenses	52,830	-	-	52,830
Depreciation expense	134,952	5,385	8,641	148,978
Veterinarian expenses	17,683	-	-	17,683
Horse transportation	1,625	-	-	1,625
Interest	5,484	-	-	5,484
Meals and travel	389	154	45	588
Auto and trailer expenses	34,990	5,641	3,143	43,774
Office expense	28,225	12,216	3,271	43,712
Other fundraising expenses	-	-	960	960
Ranch maintenance	32,916	141	989	34,046
Property taxes	13,137	2,118	1,179	16,434
Insurance	31,274	5,042	2,808	39,124
Farrier	28,645	-	-	28,645
Educational	1,711	-	-	1,711
Legal and accounting	-	38,903	-	38,903
Licenses and fees	-	2,978	-	2,978
Utilities	19,593	3,821	6,392	29,806
Other expenses	-	-	43	43
Contributions	12,000	-	-	12,000
Advertising and promotion	-	-	162	162
	$ 1,458,933	$ 201,128	$ 64,327	$ 1,724,388

See Notes to Financial Statements.

Lifesavers, Inc.
Statement of Cash Flows
For the Year Ending June 30, 2022

Cash flows from operating activities:	
Change in net assets	$ 419,061
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	148,978
Gain/loss on disposal of assets	(8,169)
Contribution of interest in beneficial trust	(249,983)
Net realized and unrealized loss on investments	2,300
Gain from forgiveness of PPP loan	(90,682)
Changes in operating assets and liabilities:	
Unconditional promises to give	(233,147)
Other assets	755
Accounts payable	115,384
Accrued expenses	9,570
Net cash provided by operating activities	114,067
Cash flows from investing activities:	
Proceeds from sale of property and equipment	11,200
Purchase of property and equipment	(219,422)
Net cash used in investing activities	(208,222)
Cash flows from financing activities:	
Payment of notes payable	(18,576)
Net cash used in financing activities	(18,576)
Net decrease in cash and cash equivalents	(112,731)
Cash and cash equivalents at beginning of year	1,234,350
Cash and cash equivalents at end of year	$ 1,121,619
Supplemental disclosure of cash flow information:	
Cash paid during the year for:	
Interest expense	$ 1,579
Noncash investing and financing activities:	
Debt incurred for purchase of property and equipment	$ 16,432

See Notes to Financial Statements.

Note 1. Summary of Significant Accounting Policies

Nature of services provided:

The entity is a not-for-profit organization formally organized in 1997. The Organization provides refuge, training and adoption placement services for hundreds of horses in need. The Organization has been dedicated to saving wild and domestic horses from abuse, neglect and slaughter by providing refuge and medical care, as well as finding new lifetime homes for the horses. The Organization specializes in the rescue of American Mustangs, horses that are the descendants of the horses introduced to the North American continent by early explorers.

The Organization conducts its operations from two locations, a 46-acre ranch in east Lancaster, California, and a 1,000-acre sanctuary in Caliente, California. The Organization can house in excess of 500 horses. The Organization gentles and trains rescued horses at the Lancaster location to prepare the horses for adoption. Rescued horses deemed unadoptable live out their natural lives at the Caliente location.

Basis of accounting:

Assets and liabilities, and revenue and expenses are recognized on the accrual basis of accounting.

Use of estimates:

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures 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 could differ from those estimates.

Revenue recognition:

Contributions, grants and bequests/trusts are recognized as revenue when they are received or unconditionally pledged.

Basis of presentation:

The financial statements of the Organization have been prepared in accordance with U.S. generally accepted accounting principles, which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization’s management and the board of directors.

Net assets with donor restrictions – Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Income taxes:

The Organization is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the Revenue and Taxation Code of the State of California. Since the Organization is exempt from income tax liability, no provision is made for current or deferred tax expense. Annual income returns filed with Federal and state governments use the same accounting methods as those used for financial reporting. The Organization is no longer subject to Federal or state government tax authorities' examinations for the years before 2017 and 2016, respectively.

Cash and cash equivalents:

For purposes of reporting cash flows, the Organization considers all highly liquid debt instruments purchased with a maturity of three months or less at the time of purchase to be cash equivalents.

Property and equipment:

Donations of property and equipment are recorded as support at their estimated fair value. Purchased assets are recorded at cost. The Organization capitalizes all expenditures for property and equipment in excess of $400. Depreciation is computed by the straight-line method over the following estimated useful lives:

	Years
Land improvements	20
Buildings	10 - 40
Building improvements	5 - 40
Fencing and corrals	10 - 15
Machinery and equipment	3 - 40
Vehicles	5 - 10
Horse equipment	3 - 10
Furniture and fixtures	5 - 7
Office furniture and equipment	3 - 5

Maintenance and repairs of property and equipment are charged to operations and major improvements are capitalized. Upon retirement, sale or other disposition of property and equipment, the cost and accumulated depreciation are eliminated from the accounts and gain or loss is included in operations.

Inventories:

Inventories of merchandise are stated at the lower of cost or market determined by the first-in-first-out (FIFO) method. Lower of cost or net realizable value is evaluated by considering obsolescence, excessive levels of inventory, deterioration and other factors.

Investments:

Investments with readily determinable fair values are stated at fair value. Unrealized gains (losses) are included in the change in net assets without donor restrictions in the accompanying statements of activities. Donated investments are reported by the Organization at the fair value on the date of donation.

The Organization invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that the changes in the values of investment securities will occur in the near term and that such changes could materially affect the investment balances and the amounts reported in the statements of financial position.

Contributions:

The Organization receives contributions and grants from different public sources, including individuals, businesses, and community organizations.

Contributions of cash and other assets received without donor stipulations are reported as revenue and net assets without donor restrictions. Gifts received with a donor stipulation that limits their use are reported as revenue and net assets with donor restrictions. When a donor-stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Contributions having donor stipulations that are satisfied in the period the gift is received are reported as revenue and net assets without donor restrictions. Contributions that are originally restricted by the donor and for which the restriction is met in a subsequent time period are recorded as revenue with donor restrictions in the year received and then released from restrictions in a subsequent time period.

Donations of property and equipment are reported as net assets without donor restrictions 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 net assets with donor restrictions. If the donor does not stipulate 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.

Unconditional gifts expected to be collected within a year are reported at their net realizable value. Unconditional gifts expected to be collected in future years are initially reported at fair value determined using discounted present value of estimated future cash flows technique. The resulting discount is amortized and is reported as contribution revenue.

Functional allocation of expenses:

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and statement of functional expenses. Expenses incurred for the Organization’s programs are charged directly to the applicable program if able to be identified. The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Accordingly, these costs have been allocated among the programs and supporting services benefitted based on management's estimate, which are allocated on the basis of time records and utilization estimates.

Donated materials and services:

Donated items for the thrift shop of $3,636 was recognized as in-kind revenue for the year ended June 30, 2022. These donations eliminated the need to purchase supplies and materials that were necessary for the thrift shop services and are reflected in the statement of activities.

A substantial number of volunteers donate significant amounts of time to the Organization's program efforts throughout the year. The Board of Directors also volunteer their time spent at quarterly board meetings. No amounts have been reflected in the financial statements for donated volunteer services since no objective basis is available to measure the value of such services.

Note 2. Cash and Cash Equivalents

Cash and cash equivalents consisted of the following at June 30, 2022:

Checking accounts	$ 1,061,716
PayPal account	4,754
Thrift shop	2,348
Petty cash	715
Cash in escrow	52,086
	$ 1,121,619

The Organization maintains bank accounts with multiple financial institutions. The FDIC amount of coverage is up to $250,000. The Organization had amounts in excess of the FDIC coverage at June 30, 2022.

Note 3. Availability and Liquidity

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

Cash and cash equivalents	$ 1,121,619
Unconditional promise to give, current portion	49,843
Financial assets to meet cash needs for general expenditures within one year	$ 1,171,462

The Organization is substantially supported by donations received from the general public. The Organization also applies for grants to supplement donations received. The grants are generally restricted to program expenses of a certain nature. Due to the nature of the

Organization's programs, the restrictions on grants are generally met within one year of receiving the grants. As part of the Organizations liquidity management it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

Note 4. Unconditional Promises to Give

At June 30, 2022, unconditional promises to give consisted of the following:

Unconditional promises to give, bequests due within a year	$	49,843
Unconditional promises to give, bequests due greater than a year		183,526
	$	233,369

Note 5. Inventory

Inventory consisted of the following at June 30, 2022:

Merchandise	$	34,205

Note 6. Investments

Investments consisted of the following at June 30, 2022:

Equities (beneficial interest in charitable remainder trust	$	247,683

Note 7. Fair Value Measurements

The FASB defines fair value as the exchange price that would be received for an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date. The Organization determines the fair values of its financial instruments based on the fair value hierarchy established by the FASB, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value: Level 1 – Values are based upon quoted prices in active markets for identical assets or liabilities; Level 2 – Values are based on quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data of substantially the full term of the assets or liabilities; Level 3 – Values are determined using pricing models, discounted cash flow methodologies or similar techniques, and at least one significant model assumption or input is unobservable. Determination of the fair value requires significant management judgment or estimation.

Equities (beneficial interest in charitable trust held by others): Valued at the closing price reported on the active market on which the individual securities are traded.

The asset or liabilities fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant o the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

		June 30, 2022		
		Fair Value Measurements Using:		
	Fair Value	***Level 1***	***Level 2***	***Level 3***
Equities (beneficial interest)	$ 247,683	$ 247,683	$ -	$ -
Total assets at fair value	$ 247,683	$ 247,683	$ -	$ -

Note 8. Long-Term Debt

Long-term debt consisted of the following at June 30, 2022:

U.S. Small Business Administration, 1%, unsecured, due on March 23, 2026	$ 91,000
U.S. Small Business Administration, 2.75%, unsecured, monthly principal and interest of $641 due starting June 2021, due on May 20, 2050	141,854
Less current maturities	(614)
	$ 232,240

Aggregate maturities of long-term debt at June 30, 2022 are as follows:

Years Ending June 30,	
2023	$ 614
2024	3,856
2025	3,964
2026	95,074
2027	4,188
Thereafter	125,158
	$ 232,854

The Organization received loan proceeds in the aggregate amount of $91,000 and $89,500, respectively, under the Paycheck Protection Program (PPP), from City National Bank as part of the Coronavirus Aid, Relief and Economic Securities Act (CARES Act) as administered and guaranteed by the United States Small Business Administration (SBA). Under the PPP, the loan balance and accrued interest may be forgiven if the borrower uses the loan proceeds for eligible purposes during a specified time frame. Any unforgiven portion of the PPP loans would be payable over two years at an interest rate of 1%. The loans are unsecured and did not require any guarantees. Subsequent to year-end, in July 2021, the SBA notified the Organization the loan balance of $89,500 was forgiven as authorized by the CARES Act. The amount of gain included the accrued interest and principal balance.

Note 9. Direct Mail Campaign

The Organization utilizes the services of a third-party company to solicit donations from the public using a direct mailing technique. Letters are composed by the third-party company and then distributed to individuals on purchased mailing lists. The contributions and related expenses have been recorded as direct mail campaign fundraising in the statement of activities.

Note 10. Related Party Disclosures

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. As of June 30, 2022, her annual salary including incentives was $72,800.

Note 11. Subsequent Events

The Organization has evaluated events and transactions subsequent to June 30, 2022 through April 12, 2023, the date of the independent auditors' report, noting no other significant items requiring further discussion.