

THE SAGA FOUNDATION LIMITED
d/b/a/ SAGA HUMANE SOCIETY

FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010

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INDEX

	Page
Independent Auditor's Report to the Trustees	1
Statements of Financial Position	2
Statements of Activities	3
Statements of Cash Flows	4
Notes to Financial Statements	5 - 6
Supplemental Schedules of Certain Operating Expenses	7

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**INDEPENDENT AUDITOR'S REPORT
TO THE TRUSTEES OF
THE SAGA FOUNDATION LIMITED**

In my opinion, the accompanying statements of financial position and the related statements of activities and cash flows present fairly, in all material respects, the financial position of The Saga Foundation Limited, d/b/a Saga Humane Society, as of December 31, 2011 and 2010 and the results of its activities and its cash flows for the years then ended in conformity with International Financial Reporting Standards. These financial statements are the responsibility of the foundation's management. Management is required to select suitable accounting policies and then apply them consistently, make judgments and estimates that are reasonable and prudent, follow applicable accounting standards, and prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Foundation will continue in business. Management is responsible for keeping proper accounting records, for safeguarding the assets of the Foundation, and for the prevention and detection of fraud or other irregularities. My responsibility is to express an opinion on these financial statements based on my audits.

I conducted my audits of these statements in accordance with international Standards on Auditing, which require that I 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, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. I believe that my audits provide a reasonable basis for my opinion.

My audits were conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying supplemental schedules of certain operating expenses are presented for purposes of additional analysis of the financial statements. Such supplemental information has been subjected to the auditing procedures applied in the audits of the financial statements and, in my opinion, is fairly stated in all material aspects in relation to the financial statements taken as whole.

Emory Boone

THE SAGA FOUNDATION LIMITED**STATEMENTS OF FINANCIAL POSITION**
DECEMBER 31, 2011 AND 2010

ASSETS	2011	2010
<i>Current Assets:</i>		
Cash	15,832	6,164
Inventory (Note 2)	4,500	4,500
Prepaid Rent	<u>1,200</u>	<u>1,200</u>
Total Current Assets	<u>21,532</u>	<u>11,864</u>
Property and Equipment (Note 2)		
Land (Note 3)	38,750	38,750
Animal care facilities (Note 3)	62,554	62,554
Animal care equipment	24,562	24,562
Office furniture and equipment	<u>12,327</u>	<u>12,327</u>
Total	<u>138,193</u>	<u>138,193</u>
Deposit (Note 3)	<u>1,800</u>	<u>1,800</u>
TOTAL ASSETS	BZ\$ 161,525	151,857
	=====	=====
LIABILITIES AND NET ASSETS		
<i>Current Liabilities:</i>		
Current portion of note payable	0.00	0.00
Accounts payable	0.00	0.00
Payroll tax payable	<u>0.00</u>	<u>1,862</u>
Total Current Liabilities	0.00	1,862
Note Payable	<u>0.00</u>	<u>0.00</u>
Total Liabilities:	0.00	1,862
Net Assets	<u>161,525</u>	<u>124,033</u>
TOTAL LIABILITIES AND NET ASSETS	BZ\$ 161,525	151,857
	=====	=====

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

THE SAGA FOUNDATION LIMITED**STATEMENTS OF ACTIVITIES**
YEARS ENDED DECEMBER 31, 2011 AND 2010

	2011	2010
REVENUE		
Donations, grants, fundraisers, product sales	143,006	104,160
Veterinary services	23,895	15,422
Drugs and medications sold	<u>61,646</u>	<u>52,737</u>
Total revenues	228,547	172,319
COST OF SALES		
Drugs and medications purchased	<u>22,682</u>	<u>25,857</u>
Gross profit	<u>205,865</u>	<u>146,462</u>
OPERATING EXPENSES		
Animal care expenses (principally food)	16,328	16,128
Advertising and promotion expenses	(Page 7) 20,264	4,373
Personnel costs	(Page 7) 93,908	87,616
Facility costs	(Page 7) 39,140	44,462
Administrative and general expenses	(Page 7) <u>5,440</u>	<u>14,407</u>
Total operating expenses	<u>175,080</u>	<u>167,986</u>
REVENUE IN EXCESS OF (LESS THAN) EXPENSES	30,680	(21,524)
NET ASSETS, beginning of year	<u>124,033</u>	<u>145,557</u>
NET ASSETS, end of year	BZ\$ 161,525 =====	124,033 =====

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

THE SAGA FOUNDATION LIMITED**STATEMENTS OF CASH FLOWS**
YEARS ENDED DECEMBER 31, 2011 AND 2010

	2011	2010
SOURCES (USES) OF CASH		
<i>Operating Activities</i>		
Revenue in excess of (less than) expenses	30,785	47,416
Changes in working capital components		
Prepaid rent	0.00	0.00
Current portion of note payable	0.00	2,006
Accounts payable	<u>0.00</u>	<u>(7,546)</u>
Net cash provided by (used) in operating activities	<u>30,785</u>	<u>41,876</u>
<i>Investment activities</i>		
Construction of animal care facilities	0.00	(34,105)
Purchase of furniture and equipment	<u>0.00</u>	<u>(5,787)</u>
Net cash used in investment activities	<u>0.00</u>	<u>(39,892)</u>
<i>Financing activities</i>		
Additional borrowing from mortgages	0.00	7,546
Debt repayment	<u>0.00</u>	<u>(8,944)</u>
Net cash used in financing activities	<u>0.00</u>	<u>(1,398)</u>
NET INCREASE (DECREASE) IN CASH	4,673	586
CASH BALANCES, beginning of year	<u>10,837</u>	<u>10,251</u>
CASH BALANCE, end of year	BZ\$ 15,727	10,837
	=====	=====

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

THE SAGA FOUNDATION LIMITED

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010

1. DESCRIPTION OF ACTIVITIES.

The Saga Foundation Limited, d/b/a/ Saga Humane Society, is a Belize not-for-profit company, limited by guarantee and not having a share capital, organized in June 1999 for the purpose of providing care and treatment to domestic animals in San Pedro town on Ambergris Caye, Belize. Its objective has been to construct, operate and fund an animal shelter and to operate an animal clinic staffed with a full time veterinarian.

On February 21, 2002 it received its Certificate of Registration as a Non-Governmental Organization pursuant to Belize's Non-Governmental Organization Act No. 26 of 2000. For compliance with the Act's regulations, more formal accounting records were established as of January 1, 2002 and the amount reported as Net Assets represents the results of the Foundation's activities since that date. In addition to granting exemption from payment of business tax on revenues and other things, the Act requires that registrants submit audited financial statements within four months following each year end. The Foundation was not in compliance with this audit requirement with its financial statements submitted for years 2002, 2003, and 2004, but did submit audited financial statements for years 2005 and 2006 prior to December 31, 2007, as directed by the regulatory authority.

In order to attract donations from contributors (whether institutions or individuals) in the United States of America and to ensure the U.S. tax deductibility of contributions made by U.S. donors, the Foundation incorporated a U.S. entity, The Saga Society Foundation, Inc., in the state of Texas in 2001. The U.S. Internal Revenue Service (IRS) recognition of the Foundation stems from this Texas incorporation. That corporation's legal status had expired from lack of submitting annual filings and payment of related fees but was reactivated in 2008.

In July 2001 Saga Society entered its "Advance Ruling Period" request for U.S. IRS income tax purposes, which period ended on December 31, 2005. Within ninety days thereafter Saga Society should have applied to IRS for its "Definitive Ruling" but failed to do so. It had also failed to file a Form 990 information return for years 2005, 2006 and 2007 with the IRS. These delinquent returns were filed in 2008.

These filings and other procedures are required to establish U.S. Federal income tax compliance with IRS so as to ensure the tax deductibility of contributions made by U.S. donors. During 2008 these matters were all resolved.

In 2011, Saga Board took over the sponsorship of monthly fundraising cook-offs and other events previously sponsored by FOTHS (Friends of the Humane Society). The increase in fundraising income reflects these additional activities previously reported as income from FOTHS as donations. The increase in fundraising expenses is the offset in material costs to produce the events.

2. ACCOUNTING POLICIES

The Foundation has adopted those accounting practices and policies which it believes most realistically portray the results of its activities. Significant accounting practices and policies are summarized below:

Revenue recognition:

The Foundation derives revenue from voluntary donations and grants, from the billing of services by its veterinary employee, and from the sale of drugs and medications in the treatment of domestic animals. Revenue is recognized in the period in which it is received, which is typically the same period in which service is rendered. No credit account arrangements are in effect with animal owners.

Inventory:

Inventory represents the approximate value of drugs and medications and supplies on hand either for sale or for consumption. No physical inventory is maintained or controlled for these items, and the amount is left unchanged as representative of the quantity and value of such items on hand from time to time.

Furniture and equipment:

Furniture and equipment resulted from an earlier identification and listing of items in use at the Foundation's clinic and an assignment of approximate net book values as used assets. Generally, these items are received by the Foundation as donations from contributors and, as such, are already used assets with a low remaining value. Accordingly, the Foundation has elected to not depreciate the value assigned to these items when received or purchase.

Foreign currencies:

Transactions in foreign currencies have been translated into Belize dollars at rates ruling on the dates of the transactions, with BZ\$2.00=US\$1.00 being the official exchange rate for most commercial transactions. Any gains and losses on exchange are included in the statement of activities.

Estimates and assumptions:

The preparation of financial statements requires Foundation management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the period. Actual results could differ from those estimates.

3. FACILITY LEASE

Subsequent to March 31, 2006 the clinic facilities had been occupied on a month-to-month basis with no formal extension, modification, or replacement of the original six-month lease which expired on that date. Monthly rent increased to \$1,000 on September 1, 2007 when the building in which the clinic facilities are located was purchased by new owners. On April 1, 2008 the monthly rent was increased to \$1,200 and a one year lease effective June 1, 2008 was executed. After May 31, 2009, the occupancy shall be month-to-month with a sixty day notice period by either party for termination of the occupancy. The Foundation had earlier paid a security deposit of \$1,800 in connection with this.

THE SAGA FOUNDATION LIMITED**SUPPLEMENTAL SCHEDULES OF CERTAIN OPERATING EXPENSES**
YEARS ENDED DECEMBER 31, 2011 AND 2010

	2011	2010
Advertising and Promotion Expenses		
Advertising and fundraising expenses	19,896	2,109
Printing	368	0.00
Tee shirt purchases	<u>0.00</u>	<u>2,265</u>
Total advertising and promotion expenses	BZ\$ 20,264	4,374
	=====	=====
Personnel Costs		
Employee compensation-salaries	75,319	63,075
Social security expense	3,696	3,277
Transportation, travel and meals	7,188	3,593
Staff education expenses	3,612	0.00
Casual labor	<u>4,093</u>	<u>17,671</u>
Total personnel costs	BZ\$ 93,908	87,616
	=====	=====
Facility Costs		
Clinic rent	10,700	13,400
Clinic supplies	8,993	12,848
Repairs and maintenance	5,352	5,713
Utilities-cable, electric, telephone and water	<u>14,095</u>	<u>13,501</u>
Total facility costs	BZ\$ 39,140	45,462
	=====	=====
Administrative and General Expenses		
Audit and legal expense	935	300
Bank charges	1,001	788
Interest expense	0.00	498
Licenses and permits	0.00	3,465
Miscellaneous (cash short)	0.00	487
Postage and delivery	392	1,200
Property tax	0.00	450
Moving costs	0.00	6,604
Office supplies	377	428
Equipment	<u>2,735</u>	<u>187</u>
Total administrative and general expenses	BZ\$ 5,440	14,407
	=====	=====