

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

FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008

THE SAGA FOUNDATION LIMITED

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DECEMBER 31, 2009 AND 2008

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 - 7
Supplemental Schedules of Certain Operating Expenses	8

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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, at December 31, 2009 and 2008 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 respects in relation to the financial statements taken as a whole.



D. MICHAEL FOX
Certified Public Accountant

March 26, 2010

THE SAGA FOUNDATION LIMITED**STATEMENTS OF FINANCIAL POSITION**
DECEMBER 31, 2009 AND 2008

	2009	2008
ASSETS		
<i>Current Assets:</i>		
Cash	10,837	10,251
Inventory (Note 2)	4,500	4,500
Prepaid rent	<u>1,200</u>	<u>1,200</u>
Total Current Assets	<u>16,537</u>	<u>15,951</u>
Property and Equipment (Note 2)		
Land (Note 3)	38,750	35,000
Animal care facilities (Note 3)	62,554	32,199
Animal care equipment	24,562	18,775
Office furniture and equipment	<u>12,327</u>	<u>12,327</u>
Total	<u>138,193</u>	<u>98,301</u>
Deposit (Note 5)	<u>1,800</u>	<u>1,800</u>
TOTAL ASSETS	BZ\$ 156,530	116,052
	=====	=====
LIABILITIES AND NET ASSETS		
<i>Current Liabilities:</i>		
Current portion of note payable	8,016	6,010
Accounts payable	<u>935</u>	<u>8,481</u>
Total Current Liabilities	8,951	14,491
Note Payable (Note 3)	<u>2,022</u>	<u>3,420</u>
Total Liabilities	10,973	17,911
Net Assets	<u>145,557</u>	<u>98,141</u>
TOTAL LIABILITIES AND NET ASSETS	BZ\$ 156,530	116,052
	=====	=====

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

THE SAGA FOUNDATION LIMITED**STATEMENTS OF ACTIVITIES**
YEARS ENDED DECEMBER 31, 2009 AND 2008

	2009	2008
REVENUE		
Donations, grants, fundraisers, product sales (Note 4)	91,201	62,894
Veterinary services	46,753	24,766
Drugs and medications sold	<u>123,838</u>	<u>76,150</u>
Total revenues	261,792	163,810
COST OF SALES		
Drugs and medications purchased	<u>40,018</u>	<u>40,009</u>
Gross profit	<u>221,774</u>	<u>123,801</u>
OPERATING EXPENSES		
Animal care expenses (principally food)	17,796	11,342
Advertising and promotion expenses	(Page 8) 4,298	3,168
Personnel costs	(Page 8) 99,694	74,402
Facility costs	(Page 8) 46,905	31,435
Administrative and general expenses	(Page 8) <u>5,665</u>	<u>18,308</u>
Total operating expenses	<u>174,358</u>	<u>138,655</u>
REVENUE IN EXCESS OF (LESS THAN) EXPENSES	47,416	(14,854)
NET ASSETS, beginning of year	<u>98,141</u>	<u>112,995</u>
NET ASSETS, end of year	BZ\$ 145,557	98,141
	=====	=====

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

THE SAGA FOUNDATION LIMITED**STATEMENTS OF CASH FLOWS**
YEARS ENDED DECEMBER 31, 2009 AND 2008

	2009	2008
SOURCES (USES) OF CASH		
<i>Operating activities</i>		
Revenue in excess of (less than) expenses	47,416	(14,854)
Changes in working capital components		
Prepaid rent	-	(1,200)
Current portion of note payable	2,006	(150)
Accounts payable	<u>(7,546)</u>	<u>7,216</u>
Net cash provided by (used in) operating activities	<u>41,876</u>	<u>(8,988)</u>
<i>Investment activities</i>		
Construction of animal care facilities (Note 3)	(34,105)	(5,915)
Purchase of furniture and equipment	<u>(5,787)</u>	<u>(5,702)</u>
Net cash used in investment activities	<u>(39,892)</u>	<u>(11,617)</u>
<i>Financing activities</i>		
Additional borrowing from mortgagee (Note 3)	7,546	-
Debt repayment	<u>(8,944)</u>	<u>(6,540)</u>
Net cash used in financing activities	<u>(1,398)</u>	<u>(6,540)</u>
NET INCREASE (DECREASE) IN CASH	586	(27,145)
CASH BALANCES, beginning of year	<u>10,251</u>	<u>37,396</u>
CASH BALANCES, end of year	BZ\$ 10,837	10,251
	=====	=====

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

THE SAGA FOUNDATION LIMITED**NOTES TO FINANCIAL STATEMENTS**
DECEMBER 31, 2009 AND 2008**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. In late 2009, the veterinarian resigned from her employment at Saga Humane Society to go into private practice in San Pedro, and the directors are in search of a replacement.

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 all 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.

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.

THE SAGA FOUNDATION LIMITED**NOTES TO FINANCIAL STATEMENTS**
DECEMBER 31, 2009 AND 2008**2. ACCOUNTING POLICIES (continued)**

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 purchased.

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. NOTE PAYABLE

In June 2005 the Foundation purchased vacant land for development as an animal shelter, which it improved in 2006, expanded in 2007 with fencing and kennels, and further improved with new fencing in 2008 and additional kennels in 2009. Of the purchase price, \$30,000 was obtained from an individual in exchange for a Note repayable in installments of \$579.98 each month, including interest at the rate of six percent (6%) per annum, for a period of sixty (60) months. The Note is secured with a mortgage on the acquired land.

Subsequently in February 2009, the mortgagee provided funds for use in the Foundation's payment to a U.S. attorney for resolving IRS matters discussed in Note 1, and agreed to be repaid by adding this sum to the mortgage principal balance. The existing mortgage balance of \$9,429.69 was increased to \$16,976.07, repayable in installments of \$700.00 each month, including interest remaining at 6% per annum. The new note balance will be paid in full with a final payment of \$642.23 in March 2011.

THE SAGA FOUNDATION LIMITED

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008

4. DONATIONS AND GRANTS RECEIVED

Of the donations of \$69,792 received in 2009, \$30,709 was received from an organization called Friends Of The Humane Society (FOTHS), which holds fundraisers for the benefit of Saga Humane Society and first began its benevolent efforts in 2009. No funding from grants was received in 2009.

In 2008 the Foundation received a grant of US\$5,000 from the World Society for the Protection of Animals based in the United Kingdom. The funds are to be used for several purposes, some of which were expended in early 2009.

5. 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 rental.

THE SAGA FOUNDATION LIMITED**SUPPLEMENTAL SCHEDULES OF CERTAIN OPERATING EXPENSES
YEARS ENDED DECEMBER 31, 2009 AND 2008**

	2009	2008
Advertising and Promotion Expenses		
Advertising and signage	1,075	1,569
Fundraising expenses	1,376	674
Printing	527	360
Tee shirt purchases	<u>1,320</u>	<u>565</u>
Total Advertising and Promotion Expenses	BZ\$ 4,298	3,168
	=====	=====
Personnel Costs		
Employee compensation	95,315	69,464
Social security expense	3,894	3,623
Transportation	259	1,315
Travel (meals)	<u>226</u>	<u>-</u>
Total Personnel Costs	BZ\$ 99,694	74,402
	=====	=====
Facility Costs		
Clinic rent	14,400	13,800
Clinic supplies	12,683	2,892
Laundry	138	70
Repairs and maintenance	6,157	4,414
Telephone	3,551	3,843
Utilities	<u>9,976</u>	<u>6,416</u>
Total Facility Costs	BZ\$ 46,905	31,435
	=====	=====
Administrative and General Expenses		
Audit and legal expense	1,040	10,481
Bank charges	1,312	627
Interest expense (Note 3)	762	849
Licenses and permits (licensing of new veterinarian in 2008)	-	2,210
Miscellaneous	1,267	1,913
Postage and delivery	834	2,228
Property tax	<u>450</u>	<u>-</u>
Total Administrative and General Expenses	BZ\$ 5,665	18,308
	=====	=====