



Financial Statements

December 31, 2007

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Oasis Sanctuary Foundation, Ltd.
Benson, Arizona

We have audited the accompanying statement of financial position of Oasis Sanctuary Foundation, Ltd. (the Sanctuary, a nonprofit organization) as of December 31, 2007, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Sanctuary's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as discussed in the following paragraph, we conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we 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. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

No internal controls over receipts of cash contributions prior to the initial entry in the accounting records existed to ensure that all contributions made to the Sanctuary were deposited in the Sanctuary's bank accounts and recorded on the Sanctuary's records. Accordingly, it was not practicable for us to extend our audit of cash contributions beyond the amounts recorded.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had the receipts of cash contributions referred to in the preceding paragraph been susceptible to satisfactory audit tests, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Oasis Sanctuary Foundation, Ltd. as of December 31, 2007, and the changes in its net assets and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

Festery & Chapman P.C.

July 17, 2008

OASIS SANTUARY FOUNDATION, LTD.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2007

ASSETS	
CASH AND CASH EQUIVALENTS	\$ 188,649
INVENTORY	3,444
PREPAID EXPENSES	3,118
FACILITY, PROPERTY AND EQUIPMENT, NET	<u>547,548</u>
	<u>\$ 742,759</u>
LIABILITIES AND NET ASSETS	
ACCOUNTS PAYABLE	\$ 11,198
ACCRUED PAYROLL AND RELATED EXPENSES	12,162
NOTES PAYABLE	<u>40,768</u>
	<u>64,128</u>
NET ASSETS	
Unrestricted net assets	663,390
Temporarily restricted net assets	<u>15,241</u>
	<u>678,631</u>
	<u>\$ 742,759</u>

See Notes to Financial Statements

OASIS SANTUARY FOUNDATION, LTD.**STATEMENT OF ACTIVITIES****FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUES			
Contributions	\$ 580,250	\$ 15,241	\$ 595,491
Membership	20,640	-	20,640
Merchandise sales, net of cost	(5,248)	-	(5,248)
Other income	2,693	-	2,693
Interest income	8,995	-	8,995
	<u>607,330</u>	<u>15,241</u>	<u>622,571</u>
EXPENDITURES			
Program services	457,489		457,489
Support services			
Management and general	11,843		11,843
Fundraising	30,786		30,786
	<u>500,118</u>		<u>500,118</u>
CHANGE IN NET ASSETS	107,212	15,241	122,453
NET ASSETS, BEGINNING OF YEAR	<u>556,178</u>	<u>-</u>	<u>556,178</u>
NET ASSETS, END OF YEAR	<u>\$ 663,390</u>	<u>\$ 15,241</u>	<u>\$ 678,631</u>

See Notes to Financial Statements

OASIS SANTUARY FOUNDATION, LTD.**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and related expenses	\$ 179,478	\$ 3,446	\$ -	\$ 182,924
Bird care and feeding	63,849	-	-	63,849
Veterinary and medical	20,498	-	-	20,498
Repair and maintenance	46,618	-	-	46,618
Utilities	50,867	-	-	50,867
Telephone and communications	4,495	-	-	4,495
Automobile	11,455	-	-	11,455
Advertising and promotion	2,631	-	-	2,631
Property taxes	634	-	-	634
Travel	1,380	-	-	1,380
Insurance	6,531	798	426	7,755
Office supplies	3,623	453	452	4,528
Postage and shipping	6,565	609	12,573	19,747
Printing	-	-	16,268	16,268
Rent	7,753	328	5	8,086
Professional fees	4,025	805	537	5,367
License and fees	1,522	10	-	1,532
Bank and processing fees	662	77	39	778
Other expense	647	-	486	1,133
Interest expense	3,882	685	-	4,567
Depreciation and amortization	40,374	4,632	-	45,006
	<u>\$ 457,489</u>	<u>\$ 11,843</u>	<u>\$ 30,786</u>	<u>\$ 500,118</u>

See Notes to Financial Statements

OASIS SANTUARY FOUNDATION, LTD.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2007

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ 122,453
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation and amortization	45,006
(Increase) decrease in	
Inventory	4,124
Prepaid expenses	370
Increase (decrease) in	
Accounts payable	288
Accrued payroll and related expenses	8,033
Total adjustments	<u>57,821</u>
Net cash provided by operating activities	<u>180,274</u>

CASH FLOWS USED IN INVESTING ACTIVITIES

Purchases of property and equipment	<u>(141,929)</u>
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CASH FLOWS USED IN FINANCING ACTIVITIES

Payments on notes payable	<u>(62,887)</u>
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NET DECREASE IN CASH AND CASH EQUIVALENTS

(24,542)

CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR

213,191

CASH AND CASH EQUIVALENTS, END OF YEAR

\$ 188,649

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Cash paid for interest	<u><u>\$ 4,567</u></u>
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OASIS SANTUARY FOUNDATION, LTD.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2007

NOTE 1 – NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Oasis Sanctuary Foundation, Ltd. (the Sanctuary) is a 501(c)(3) not-for-profit organization founded in May 1997 as a rescue and retirement facility for exotic birds. It is a life-care facility for over 550 captive exotic birds. In particular, it is a refuge for parrots, cockatoos, macaws, and other Psittacine birds, as well as Passerines (finches and canaries), columbiformes (doves and fancy or racing pigeons) and other captive avian species. It cares predominantly for CITES I and II endangered birds on a 71-acre parcel in southeastern Arizona. Birds are offered a stable and loving home for the duration of their natural lives. The Sanctuary was the first exotic bird sanctuary to have dual accreditation from the American Sanctuary Association and The Association of Sanctuaries. It was a founding member and facilitating leader in the Avian Rescue Network.

The Sanctuary provides permanent sanctuary to any Psittacines (parrot-type birds) who have no fatal, contagious disease but are otherwise unplaceable in private homes. It builds and maintains naturalistic free-flight habitats for the birds in residence. Birds with special needs and those who require more human interaction are kept indoors in a bird building. The Sanctuary works with avian and animal welfare organizations in an effort to ensure every parrot in captivity has a safe and loving home and to protect remaining wild populations from commercial exploitation. In addition, it educates the public about Psittacines, their proper care in captivity and their place in the wild. The Sanctuary supports its programs through public donations, sponsorships and memberships.

Contributions and Promises to Give

Contributions received and promises to give are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Contributions and promises are recognized when the donor makes a promise to give to the Sanctuary that is, in substance, unconditional. Contributions or promises that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which they are recognized. All other donor-restricted contributions and promises are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Donated Assets and Services

Donated assets, services and other non-cash donations are recorded as contributions at their estimated values at the date of donation, if an objective basis is available to measure the value of such items. Donated services and time are recognized as contributions if the services create or enhance non-financial assets or require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Sanctuary. The Sanctuary pays for most services requiring specific expertise. However, if such services are donated and the value is ascertainable, the fair market value is reflected in the financial statements as revenue and expense.

No donated materials or professional services were recognized in the financial statements for the year ended December 31, 2007.

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OASIS SANTUARY FOUNDATION, LTD.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2007

NOTE 1 – NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

In addition, the Sanctuary received numerous hours of donated services by volunteers interested in the Sanctuary's programs. No amounts have been reflected in the financial statements for these donated services as they do not meet the requirements of creating or enhancing non-financial assets and they were not performed by professionals with specialized skills.

Cash and Cash Equivalents

For the purposes of the statement of cash flows, the Sanctuary considers all highly liquid assets with an initial maturity of three months or less to be cash equivalents. Cash and cash equivalents may include cash on hand or held by financial institutions as well as certificates of deposit and time deposits. The Sanctuary maintains cash and cash equivalents at financial institutions, which, at times, may exceed federally insured amounts.

Facility, Property and Equipment

The Sanctuary capitalizes additions of land, buildings, improvements and equipment in excess of \$500. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions until the assets are placed in service or funds expended in accordance with donor restrictions. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets. The Sanctuary reviews property and equipment for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. No impairment loss is recorded for the year ended December 31, 2007.

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.

Expense Allocations

The cost of providing various programs and other activities has been summarized on a functional basis in the statements of activities and functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Taxes

The Sanctuary qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and similar state regulations and, therefore, no provision for income taxes is recorded. In addition, the Sanctuary qualifies for the charitable contribution deduction under Section 170 of the Code and has been classified as an organization that is not a private foundation under Section 509(a).

Inventory

Inventory is comprised of items promoting the Sanctuary's programs. Inventory is stated at lower of cost or market, using the average cost method.

NOTES TO FINANCIAL STATEMENTS

NOTE 2 – FACILITY, PROPERTY AND EQUIPMENT

Facility, property and equipment consisted of the following at December 31, 2007:

Land	\$	252,000
Land improvements		39,105
Buildings		103,807
Avaries and cages		252,678
Vehicles		16,941
Furniture and fixtures		11,558
Computer and office equipment		2,545
Equipment		47,496
		<u>726,130</u>
Accumulated depreciation		<u>(178,582)</u>
	\$	<u>547,548</u>

NOTE 3 – NOTES PAYABLE

Notes payable consisted of the following at December 31, 2007:

Note payable secured by a vehicle due in monthly installments of approximately \$405, including interest at 8.5 percent, through January 2011	\$	13,130
Related party note payable secured by real estate, origination date of November 2003, due in monthly payments of approximately \$1,505, including interest at six percent through December 2033		<u>27,638</u>
	\$	<u>40,768</u>

Future maturities of long-term debt are as follows:

2008	\$	4,455
2009		4,860
2010		3,410
2011		405
2012		
Thereafter		<u>27,638</u>
	\$	<u>40,768</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 4 – RELATED PARTY

The related party note payable in Note 3 is due to the Sanctuary’s Executive Director for a November 2003 land purchase for the Sanctuary’s facilities. The note is due in installments of \$1,505, including interest at six percent, through December 2033. The Sanctuary may make additional principal payments on the note without penalties.

In 2007, the Sanctuary made principal payments of approximately \$59,600 on the note payable and paid interest expense of approximately \$3,410.

NOTE 5 – CONCENTRATIONS OF SUPPORT

Approximately 38% of the Sanctuary’s public support for the year ended December 31, 2007 was received from three donors.

NOTE 6 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are restricted for the following at December 31, 2007:

Aviary construction	\$	13,241
Printing expenses		<u>2,000</u>
	\$	<u><u>15,241</u></u>

Cash and cash equivalents includes a donor-restricted amount with a balance of \$1,702 at December 31, 2007.

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