

**PET COMMUNITY CENTER, INC.  
FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITORS' REPORT  
DECEMBER 31, 2016 AND 2015**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Pet Community Center, Inc.

### Report on the Financial Statements

We have audited the accompanying financial statements of Pet Community Center, Inc. (a not-for-profit corporation, the "Organization"), which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities and changes in net assets, 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.

### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, 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 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 qualified audit opinion.

### Basis for Qualified Opinion

We were unable to obtain sufficient appropriate audit evidence relating to the ending balance of inventory at December 31, 2015 and the impact on the statement of activities and changes in net assets during the year ended December 31, 2016. We did not observe the physical inventory counts taken as of December 31, 2015 since the date was prior to our initial engagement as auditors for the Organization, and the Organization's records do not permit adequate retroactive tests of inventory quantities in order to determine the beginning and ending balances of inventory along with the impact on net assets.

## INDEPENDENT AUDITORS' REPORT (CONTINUED)

### Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of Pet Community Center, Inc. as of December 31, 2016 and 2015, 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.

*Blankenship CPA Group, PLLC*  
May 8, 2017

**PET COMMUNITY CENTER, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2016 AND 2015**

**ASSETS**

	<u>2016</u>	<u>2015</u>
Current Assets:		
Cash	\$ 148,413	\$ 123,562
Restricted cash	113,789	150,025
Total cash	<u>262,202</u>	<u>273,587</u>
Accounts receivable	4,652	9,264
Grant receivable	35,000	3,750
Contributions receivable, current portion	10,000	24,000
Inventory	27,860	20,104
Prepaid expenses	1,259	1,112
Total Current Assets	<u>340,973</u>	<u>331,817</u>
Contributions receivable, net of current portion	-	10,000
Property and equipment, net	138,155	132,078
Security deposit	<u>1,276</u>	<u>1,276</u>
 Total Assets	 <u>\$ 480,404</u>	 <u>\$ 475,171</u>

**LIABILITIES AND NET ASSETS**

Current Liabilities:		
Accounts payable	\$ 4,893	\$ 2,270
Accrued expenses	24,161	30,222
Total Current Liabilities	<u>29,054</u>	<u>32,492</u>
Net Assets:		
Unrestricted	327,561	258,654
Temporarily restricted	123,789	184,025
Total Net Assets	<u>451,350</u>	<u>442,679</u>
 Total Liabilities and Net Assets	 <u>\$ 480,404</u>	 <u>\$ 475,171</u>

The accompanying notes are an integral part of these financial statements.

**PET COMMUNITY CENTER, INC.**  
**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**YEAR ENDED DECEMBER 31, 2016**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Program revenues:			
Spay and neuter services	\$ 264,164	\$ -	\$ 264,164
Heartwork treatments	11,815	-	11,815
Ancillary services	<u>342,962</u>	<u>-</u>	<u>342,962</u>
Total program revenues	<u>618,941</u>	<u>-</u>	<u>618,941</u>
Public support and other revenues:			
Contributions	195,857	-	195,857
Grants	108,950	132,500	241,450
Special events	52,992	-	52,992
In-kind revenue	3,492	-	3,492
Miscellaneous revenue	53	-	53
Net assets released in satisfaction of restrictions	<u>192,736</u>	<u>(192,736)</u>	<u>-</u>
Total public support and other revenues	<u>554,080</u>	<u>(60,236)</u>	<u>493,844</u>
Total revenues	<u>1,173,021</u>	<u>(60,236)</u>	<u>1,112,785</u>
Functional expenses:			
Program services	945,615	-	945,615
Supporting services:			
Management and general	58,675	-	58,675
Fundraising	<u>99,824</u>	<u>-</u>	<u>99,824</u>
Total functional expenses	<u>1,104,114</u>	<u>-</u>	<u>1,104,114</u>
Increase (decrease) in net assets	68,907	(60,236)	8,671
Net assets, beginning of year	<u>258,654</u>	<u>184,025</u>	<u>442,679</u>
Net assets, end of year	<u><u>\$ 327,561</u></u>	<u><u>\$ 123,789</u></u>	<u><u>\$ 451,350</u></u>

The accompanying notes are an integral part of these financial statements.

**PET COMMUNITY CENTER, INC.**  
**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**YEAR ENDED DECEMBER 31, 2015**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Program revenues:			
Spay and neuter services	\$ 180,715	\$ -	\$ 180,715
Ancillary services	170,646	-	170,646
Total program revenues	<u>351,361</u>	<u>-</u>	<u>351,361</u>
Public support and other revenues:			
Contributions	177,196	-	177,196
Grants	20,140	179,745	199,885
Special events	73,813	-	73,813
In-kind revenue	30,000	-	30,000
Miscellaneous revenue	50	-	50
Net assets released in satisfaction of restrictions	<u>103,591</u>	<u>(103,591)</u>	<u>-</u>
Total public support and other revenues	<u>404,790</u>	<u>76,154</u>	<u>480,944</u>
Total revenues	<u>756,151</u>	<u>76,154</u>	<u>832,305</u>
Functional expenses:			
Program services	667,322	-	667,322
Supporting services:			
Management and general	35,139	-	35,139
Fundraising	<u>53,916</u>	<u>-</u>	<u>53,916</u>
Total functional expenses	<u>756,377</u>	<u>-</u>	<u>756,377</u>
(Decrease) increase in net assets	(226)	76,154	75,928
Net assets, beginning of year	<u>258,880</u>	<u>107,871</u>	<u>366,751</u>
Net assets, end of year	<u>\$ 258,654</u>	<u>\$ 184,025</u>	<u>\$ 442,679</u>

The accompanying notes are an integral part of these financial statements.



**PET COMMUNITY CENTER, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED DECEMBER 31, 2016**

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Bank and credit card fees	\$ 6,714	\$ 181	\$ 1,004	\$ 7,899
Registration fees	1,881	20	240	2,141
Capital expense for clinic	2,751	-	-	2,751
Contract services	2,973	11,673	7,637	22,283
Facilities and maintenance	48,218	15,774	-	63,992
Special events	-	-	23,981	23,981
Subscriptions	1,500	450	-	1,950
Cost of goods sold	199,159	-	-	199,159
Marketing	5,687	505	4,457	10,649
Postage and shipping	1,645	-	312	1,957
Office expense	1,568	250	-	1,818
Rabies licenses	33,462	-	-	33,462
Recruitment	462	-	-	462
Supplies	9,375	1,074	373	10,822
Telephone and communciations	1,384	-	185	1,569
Transport services	2,718	-	-	2,718
Veterinary care	3,545	-	-	3,545
Payroll expenses	563,349	23,400	61,007	647,756
Travel and meetings	7,460	2,281	628	10,369
Bad debts	470	-	-	470
Other expenses	629	2,499	-	3,128
Depreciation	50,665	568	-	51,233
	<u>\$ 945,615</u>	<u>\$ 58,675</u>	<u>\$ 99,824</u>	<u>\$1,104,114</u>

The accompanying notes are an integral part of these financial statements.



**PET COMMUNITY CENTER, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED DECEMBER 31, 2015**

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Bank and credit card fees	\$ 4,342	\$ 396	\$ 819	\$ 5,557
Registration fees	937	550	200	1,687
Capital expense for clinic	6,651	-	-	6,651
Contract services	4,363	1,099	4,446	9,908
Facilities and maintenance	43,069	5,067	2,533	50,669
Special events	-	-	14,272	14,272
Subscriptions	1,379	-	350	1,729
Cost of goods sold	113,682	-	-	113,682
Marketing	15,477	-	2,005	17,482
Postage and shipping	879	-	-	879
Office expense	1,368	-	-	1,368
Rabies licenses	20,310	-	-	20,310
Recruitment	1,067	-	-	1,067
Supplies	12,269	1,443	722	14,434
Telephone and communciations	526	-	-	526
Transport services	1,703	-	-	1,703
Veterinary care	2,640	-	-	2,640
Payroll expenses	394,395	20,883	26,614	441,892
Travel and meetings	9,032	-	-	9,032
Other expenses	-	1,791	-	1,791
Depreciation	33,233	3,910	1,955	39,098
	<u>\$ 667,322</u>	<u>\$ 35,139</u>	<u>\$ 53,916</u>	<u>\$ 756,377</u>

The accompanying notes are an integral part of these financial statements.

**PET COMMUNITY CENTER, INC.**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Increase in net assets	\$ 8,671	\$ 75,928
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	51,233	39,098
Contributed recreational vehicle	-	(30,000)
Bad debt expense	470	-
Satisfaction of restriction from purchase of vehicle	(30,000)	-
Donated investment	(25,196)	(55,294)
Realized loss from sale of donated investment	364	625
Donated inventory	(3,492)	-
Change in:		
Accounts receivable	4,142	(558)
Grant receivable	(31,250)	(3,750)
Contributions receivable	24,000	24,000
Inventory	(4,264)	(11,375)
Prepaid expenses	(147)	(312)
Security deposit	-	(1,276)
Accounts payable	2,623	717
Accrued expenses	(6,061)	22,703
Proceeds from sale of donated investment	24,832	54,669
Total adjustments	7,254	39,247
Net cash provided by operating activities	15,925	115,175
Cash flows from investing activities:		
Purchase of vehicle restricted to investment by donor	(30,000)	-
Purchase of property and equipment	(27,310)	(26,415)
Net cash used by investing activities	(57,310)	(26,415)
Cash flows from financing activities:		
Contribution restricted for purchase of vehicle	30,000	-
Net cash provided by financing activities	30,000	-
Net (decrease) increase in cash	(11,385)	88,760
Cash, beginning of year	273,587	184,827
Cash, end of year	<u>\$ 262,202</u>	<u>\$ 273,587</u>
Other cash flow disclosures:		
Noncash: Recreational vehicle contributed	<u>\$ -</u>	<u>\$ 30,000</u>

**PET COMMUNITY CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016 AND 2015**

**NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES**

Pet Community Center, Inc. (the "Organization") is a not-for-profit community service agency founded in March 2011. The Organization's major programs include free and low-cost spay/neuter, pet wellness and outreach services to various private, not-for-profit and government entities in Middle Tennessee. The spay/neuter program is designed to address the issue of pet homelessness and shelter euthanasia in Middle Tennessee. The mobile wellness clinic provides low-cost, walk-in services for pets, including vaccines and preventive medicine. The goal of the mobile clinic is to provide preventive care that can reduce the number of pet owners relinquishing their pets to a shelter due to lack of access to affordable pet care. The mobile clinic also serves as an outreach program to share information about spay/neuter with pet owners.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of Presentation

The accompanying financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Cash

Cash consists principally of checking and savings account balances with financial institutions. Restricted cash consisted of funds received with donor imposed restrictions. As of December 31, 2016 and 2015, there were no cash equivalents.

Accounts Receivable

Accounts receivable are stated at unpaid balances. Receivables are written off in the period in which management deems the balance to be uncollectible. The Organization expects to fully collect these items; therefore no allowance for uncollectible accounts has been recorded in the financial statements.

Contributions Receivable

Contributions receivable represent the unconditional promises to give which was specified as free rent for a period of three years at a market price of approximately \$2,000 per month by the donor. As of December 31, 2016, five months remain of free rent and no allowance or discount was considered necessary.

Inventory

Inventories, representing surgical supplies, vaccinations and medicine, are stated at the lower of cost or market determined by the first-in, first-out method.

**PET COMMUNITY CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2016 AND 2015**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Property, Equipment and Depreciation

Equipment, furniture, vehicles and leasehold improvements purchased in excess of \$500 are capitalized and stated at acquisition cost or at estimated fair value at the time of the gift, if donated. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support.

Depreciation of property and equipment is calculated by the straight-line method over estimated useful lives.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a restriction is fulfilled (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted and reported in the statement of activities and changes in net assets as net assets released in satisfaction of restrictions. However, if a restriction is fulfilled in the same time period in which the contribution is received, the support is reported as unrestricted.

Donated Goods and Services

Donated property and materials are recorded as contributions, or capitalized as property and equipment, in the period received at their estimated fair value, if there is an objective and measurable basis for determining such value. Donated services are recognized if they create or enhance nonfinancial assets or the donated service requires specialized skills, was performed by a donor who possess such skills, and would have been purchased by the Organization, if not donated. Such services are recognized at fair value as support and expense in the period the services were performed.

A number of unpaid volunteers have made significant contributions of their time to assist the Organization in implementing various programs. The value of contributed time is not reflected in these financial statements since it is not susceptible to objective measurement or valuation.

Income Taxes

The Organization is a not-for-profit corporation exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation.

**PET COMMUNITY CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2016 AND 2015**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Income Taxes

Accounting principles generally accepted in the United States of America require the Organization's management to evaluate tax positions taken by the Organization and recognize a tax liability (or asset) if the Organization has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS. The Organization's management has analyzed the tax positions taken by the Organization and has concluded that as of December 31, 2016, no uncertain positions are taken or are expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Organization is subject to routine audits by taxing jurisdictions for the periods of 2013 to the present; however, there are currently no audits for any tax periods in progress.

Advertising

Advertising is expensed as incurred. Total advertising expense for the years ended December 31, 2016 and 2015 was \$10,649 and \$17,482, respectively.

Program and Supporting Services

The following program and supporting services are included in the accompanying financial statements:

Program Services – includes the direct cost of operating the clinic for spay and neuter services and ancillary services.

Management and General – includes the functions necessary to ensure an adequate working environment and costs not identifiable with a single program. Applicable costs include those associated with providing coordination and articulation of the Organization's program strategy, business management, general record keeping, budgeting, and related purposes.

Fundraising – includes costs of activities directed toward appeals for financial support, including special events. Other activities include the cost of solicitations and creation and distribution of fundraising materials.

Allocation of Functional Expenses

Expenses that can be directly attributed to a particular function are charged to that function. Certain costs have been allocated among more than one program or activity based on objectively evaluated financial and nonfinancial data or reasonable subjective methods determined by management.

Use of 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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

**PET COMMUNITY CENTER, INC.  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2016 AND 2015**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Unrestricted Net Assets

Unrestricted net assets consist of resources available for the various programs and administration of the Organization which have not been restricted by a donor.

Temporarily Restricted Net Assets

Temporarily restricted net assets consist of donor restricted contributions. Amounts restricted by the donor for a particular purpose are recognized as revenue when received and such unexpended amounts are reported as temporarily restricted net assets at year end.

Restrictions on gifts of property and equipment or contributions restricted for the purchase of property and equipment expire when the asset is placed in service, unless otherwise stipulated by the donor.

Reclassifications

Certain amounts in the 2015 financial statements have been reclassified for comparative purposes to conform to the 2016 presentation.

**NOTE 3 – PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following at December 31:

	<u>2016</u>	<u>2015</u>
Clinic equipment	\$ 89,362	\$ 70,110
Leasehold improvements	43,616	41,561
Office furniture and equipment	6,178	6,161
Vehicles	111,881	75,895
	<u>251,037</u>	<u>193,727</u>
Less accumulated depreciation	<u>(112,882)</u>	<u>(61,649)</u>
	<u>\$ 138,155</u>	<u>\$ 132,078</u>

**NOTE 4 – CONTRIBUTIONS RECEIVABLE**

Contributions receivable consisted of the following at December 31:

	<u>2016</u>	<u>2015</u>
Due in less than one year	\$ 10,000	\$ 24,000
Due in one to five years	<u>-</u>	<u>10,000</u>
	<u>\$ 10,000</u>	<u>\$ 34,000</u>



**PET COMMUNITY CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2016 AND 2015**

**NOTE 5 – ACCRUED EXPENSES**

Accrued expenses consisted of the following at December 31:

	<u>2016</u>	<u>2015</u>
Credit card payable	\$ 955	\$ 5,790
Payroll taxes and benefits payable	8,208	14,474
Accrued payroll	12,130	4,846
Rabies licenses payable	2,868	5,112
	<u>\$ 24,161</u>	<u>\$ 30,222</u>

**NOTE 6 – TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets consisted of the following time and purpose restrictions at December 31:

	<u>2016</u>	<u>2015</u>
Contributions receivable	\$ 10,000	\$ 34,000
Spay/Neuter/Various Surgeries	93,109	130,025
Wellness	10,295	-
Marketing and fundraising	10,385	20,000
	<u>\$ 123,789</u>	<u>\$ 184,025</u>

**NOTE 7 – LEASES**

The Organization leases office space with a total monthly payment of \$1,276. The following schedule summarizes future minimum lease payments as of the following:

<u>Year ending December 31:</u>	
2017	\$ 17,904
2018	1,080
	<u>\$ 18,984</u>

**NOTE 8 – RELATED PARTIES**

The Organization has a conflict of interest policy and any related party transactions must be reviewed and approved ahead of time. The Organization paid \$7,315 and \$11,324 for business services provided by companies related to three board members during 2016 and 2015, respectively.



**PET COMMUNITY CENTER, INC.  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2016 AND 2015**

**NOTE 9 – CONCENTRATIONS**

As of December 31, 2015 approximately 67% of receivables were due from three donors. As of December 31, 2015, approximately 73% of payables were due to two vendors.

**NOTE 10 – SUBSEQUENT EVENTS**

The Organization's management has evaluated subsequent events through May 8, 2017, the date which the financial statements were available to be issued.