

**PET COMMUNITY CENTER, INC.
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT
DECEMBER 31, 2017 AND 2016**

**PET COMMUNITY CENTER, INC.
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT
DECEMBER 31, 2017 AND 2016**

TABLE OF CONTENTS

	PAGE
INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
Statements of Financial Position	2
Statements of Activities and Changes in Net Assets	3 - 4
Statements of Functional Expenses	5 - 6
Statements of Cash Flows	7
Notes to Financial Statements	8 - 13

BLANKENSHIP CPA GROUP, PLLC

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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, 2017 and 2016, 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 audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Pet Community Center, Inc. as of December 31, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Blankenship CPA Group, PLLC

July 11, 2018

PET COMMUNITY CENTER, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2017 AND 2016

ASSETS

	<u>2017</u>	<u>2016</u>
Current Assets:		
Cash	\$ 196,645	\$ 148,413
Restricted cash	<u>98,828</u>	<u>113,789</u>
Total cash	295,473	262,202
Accounts receivable	42,815	4,652
Grant receivable	10,432	35,000
Contributions receivable	-	10,000
Inventory	22,804	27,860
Prepaid expenses	<u>-</u>	<u>1,259</u>
Total Current Assets	371,524	340,973
Property and equipment, net	93,697	138,155
Security deposit	<u>124</u>	<u>1,276</u>
 Total Assets	 <u><u>\$ 465,345</u></u>	 <u><u>\$ 480,404</u></u>

LIABILITIES AND NET ASSETS

Current Liabilities:		
Accounts payable	\$ 13,068	\$ 4,893
Accrued expenses	<u>39,948</u>	<u>24,161</u>
Total Current Liabilities	<u>53,016</u>	<u>29,054</u>
Net Assets:		
Unrestricted	313,501	327,561
Temporarily restricted	<u>98,828</u>	<u>123,789</u>
Total Net Assets	<u>412,329</u>	<u>451,350</u>
 Total Liabilities and Net Assets	 <u><u>\$ 465,345</u></u>	 <u><u>\$ 480,404</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, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Program revenues:			
Spay and neuter services	\$ 218,786	\$ -	\$ 218,786
Heartworm treatments	26,900	-	26,900
Ancillary services	491,545	-	491,545
	<u>737,231</u>	<u>-</u>	<u>737,231</u>
Public support and other revenues:			
Contributions	274,936	-	274,936
Grants	70,000	119,782	189,782
Special events	101,285	-	101,285
In-kind revenue	14,065	-	14,065
Miscellaneous revenue	53	-	53
Net assets released in satisfaction of restrictions	144,743	(144,743)	-
	<u>605,082</u>	<u>(24,961)</u>	<u>580,121</u>
Total public support and other revenues	<u>605,082</u>	<u>(24,961)</u>	<u>580,121</u>
Total revenues	<u>1,342,313</u>	<u>(24,961)</u>	<u>1,317,352</u>
Functional expenses:			
Program services	1,137,674	-	1,137,674
Supporting services:			
Management and general	90,511	-	90,511
Fundraising	128,188	-	128,188
	<u>1,356,373</u>	<u>-</u>	<u>1,356,373</u>
Total functional expenses	<u>1,356,373</u>	<u>-</u>	<u>1,356,373</u>
(Decrease) in net assets	(14,060)	(24,961)	(39,021)
Net assets, beginning of year	<u>327,561</u>	<u>123,789</u>	<u>451,350</u>
Net assets, end of year	<u><u>\$ 313,501</u></u>	<u><u>\$ 98,828</u></u>	<u><u>\$ 412,329</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, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Program revenues:			
Spay and neuter services	\$ 264,164	\$ -	\$ 264,164
Heartworm treatments	11,815	-	11,815
Ancillary services	342,962	-	342,962
	<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	192,736	(192,736)	-
	<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	99,824	-	99,824
	<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>\$ 327,561</u>	<u>\$ 123,789</u>	<u>\$ 451,350</u>

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

PET COMMUNITY CENTER, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2017

	Program Services	Management and General	Fundraising	Total
Bank and credit card fees	\$ 9,539	\$ 87	\$ 439	\$ 10,065
Registration fees	1,389	-	-	1,389
Contract services	3,557	22,950	11,000	37,507
Facilities and maintenance	54,700	18,183	-	72,883
Special events	-	-	37,275	37,275
Subscriptions	2,380	360	2,488	5,228
Cost of goods sold	273,970	-	-	273,970
Marketing	423	498	7,514	8,435
Postage and shipping	1,293	-	-	1,293
Office expense	3,303	-	-	3,303
Rabies licenses	45,994	-	-	45,994
Recruitment	485	-	-	485
Supplies	9,378	1,724	2,176	13,278
Telephone and communciations	1,750	1,006	241	2,997
Transport services	3,819	-	-	3,819
Veterinary care	5,020	-	-	5,020
Payroll expenses	664,331	42,779	66,648	773,758
Travel and meetings	4,398	2,356	386	7,140
Bad debt expense	1,217	-	21	1,238
Other expenses	3,722	-	-	3,722
Depreciation	47,006	568	-	47,574
	<u>\$ 1,137,674</u>	<u>\$ 90,511</u>	<u>\$ 128,188</u>	<u>\$1,356,373</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

	Program Services	Management and General	Fundraising	Total
Bank and credit card fees	\$ 6,714	\$ 181	\$ 1,004	\$ 7,899
Registration fees	1,881	20	240	2,141
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	12,126	1,074	373	13,573
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 debt expense	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.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
(Decrease) increase in net assets	\$ (39,021)	\$ 8,671
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	47,574	51,233
Gain on sale of property and equipment	1,185	-
Bad debt expense	1,238	470
Satisfaction of restriction from purchase of vehicle	-	(30,000)
Donated investment	(29,009)	(25,196)
Realized loss from sale of donated investment	485	364
Donated inventory	-	(3,492)
Change in:		
Accounts receivable	(39,401)	4,142
Grant receivable	24,568	(31,250)
Contributions receivable	10,000	24,000
Inventory	5,056	(4,264)
Prepaid expenses	1,259	(147)
Security deposit	1,152	-
Accounts payable	8,175	2,623
Accrued expenses	15,787	(6,061)
Proceeds from sale of donated investment	28,524	24,832
	<u>76,593</u>	<u>7,254</u>
Total adjustments		
	<u>37,572</u>	<u>15,925</u>
Net cash provided by operating activities		
	<u>37,572</u>	<u>15,925</u>
Cash flows from investing activities:		
Purchase of vehicle restricted to investment by donor	-	(30,000)
Purchase of property and equipment	(4,301)	(27,310)
	<u>(4,301)</u>	<u>(57,310)</u>
Net cash used by investing activities		
	<u>(4,301)</u>	<u>(57,310)</u>
Cash flows from financing activities:		
Contribution restricted for purchase of vehicle	-	30,000
	<u>-</u>	<u>30,000</u>
Net cash provided by financing activities		
	<u>-</u>	<u>30,000</u>
Net (decrease) increase in cash	33,271	(11,385)
Cash, beginning of year	262,202	273,587
	<u>262,202</u>	<u>273,587</u>
Cash, end of year	<u>\$ 295,473</u>	<u>\$ 262,202</u>

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

PET COMMUNITY CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

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, 2017 and 2016, 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 and Grants Receivable

Contributions and grants receivable represent the unconditional promises to give unless specifically restricted by the donor.

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, 2017 AND 2016

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 which range from 3 to 5 years.

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 estimated 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, 2017 AND 2016

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes (Continued)

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, 2017, 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 2014 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, 2017 and 2016 was \$8,435 and \$10,649, 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, 2017 AND 2016

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 2016 financial statements have been reclassified for comparative purposes to conform to the 2017 presentation.

NOTE 3 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31:

	<u>2017</u>	<u>2016</u>
Clinic equipment	\$ 89,537	\$ 89,362
Leasehold improvements	43,616	43,616
Office furniture and equipment	4,957	6,178
Vehicles	<u>111,881</u>	<u>111,881</u>
	249,991	251,037
Less accumulated depreciation	<u>(156,294)</u>	<u>(112,882)</u>
	<u><u>\$ 93,697</u></u>	<u><u>\$ 138,155</u></u>

PET COMMUNITY CENTER, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017 AND 2016

NOTE 4 – ACCRUED EXPENSES

Accrued expenses consisted of the following at December 31:

	<u>2017</u>	<u>2016</u>
Credit card payable	\$ 17,284	\$ 955
Payroll taxes and benefits payable	8,326	8,208
Accrued payroll	12,995	12,130
Rabies licenses payable	<u>1,343</u>	<u>2,868</u>
	<u>\$ 39,948</u>	<u>\$ 24,161</u>

NOTE 5 – TEMPORARILY RESTRICTED NET ASSETS

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

	<u>2017</u>	<u>2016</u>
Spay/neuter/various surgeries	\$ 87,130	\$ 93,109
General programs	10,163	-
Wellness	1,535	10,295
Contributions	-	10,000
Marketing and fundraising	<u>-</u>	<u>10,385</u>
	<u>\$ 98,828</u>	<u>\$ 123,789</u>

NOTE 6 – LEASES

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

<u>Year ending December 31:</u>	
2018	<u>\$ 1,080</u>

NOTE 7 – 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 \$21,417 and \$7,315 for business services provided by companies related to three board members during 2017 and 2016, respectively.

NOTE 8 – CONCENTRATIONS

As of December 31, 2017 approximately 41% of account and grant receivables were due from a donor and a service provider.

PET COMMUNITY CENTER, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017 AND 2016

NOTE 9 – RECENT ACCOUNTING PRONOUNCEMENTS

In August 2016, the FASB issued new accounting guidance that amends the requirements for financial statements and notes of a not-for-profit entity. The new guidance is effective for periods beginning after December 15, 2017, on a retrospective basis, with early adoption permitted. This new accounting guidance will result in changes to financial statement presentation and additional disclosures and the Organization is still evaluating its impact.

In February 2016, the FASB issued new accounting guidance to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. The new accounting guidance is effective for nonpublic entities for annual reporting periods beginning after December 15, 2019. The Organization is currently evaluating the effect of this pronouncement on its policies, procedures, and financial statements.

In May 2014, the FASB issued new accounting guidance to clarify the principles for recognizing revenue from contracts with customers. The new accounting guidance, which does not apply to financial instruments, is effective retrospectively for nonpublic entities for annual reporting periods beginning after December 15, 2018. The Organization is in the process of evaluating the impact of the provisions of this new accounting guidance but does not expect it to have a material impact on its financial position or results of operations.

NOTE 10 – SUBSEQUENT EVENTS

The Organization's management has evaluated subsequent events through July 11, 2018, the date which the financial statements were available to be issued.