

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

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**TABLE OF CONTENTS**

	<b>PAGE</b>
INDEPENDENT AUDITORS' REPORT	1-2
FINANCIAL STATEMENTS	
Statement of Financial Position	3
Statement of Activities and Changes in Net Assets	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7-12

## 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 statement of financial position as of December 31, 2015, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements (collectively, 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 audit. We conducted our audit 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 did not observe the physical inventory counts taken as of December 31, 2015 and 2014, since those dates were 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, 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*

April 25, 2016

**PET COMMUNITY CENTER, INC.  
STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2015**

**ASSETS**

Current Assets:	
Cash	\$ 123,562
Accounts receivable	13,014
Inventory	20,104
Prepaid expenses	1,112
Total Current Assets	<u>157,792</u>
Property and equipment, net	132,078
Security deposit	1,276
	<u>133,354</u>
Asset Whose Use is Limited:	
Cash	150,025
Contributions receivable	34,000
	<u>184,025</u>
Total Assets	<u>\$ 475,171</u>

**LIABILITIES AND NET ASSETS**

Current Liabilities:	
Accounts payable	\$ 2,270
Accrued expenses	30,222
Total Current Liabilities	<u>32,492</u>
Net Assets:	
Unrestricted	258,654
Temporarily restricted	184,025
Total Net Assets	<u>442,679</u>
Total Liabilities and Net Assets	<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, 2015**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Operating revenues:			
Spay and neuter services	\$ 180,715	\$ -	\$ 180,715
Ancillary services	170,646	-	170,646
Total operating 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, 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.**  
**STATEMENT OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2015**

Cash flows from operating activities:	
Increase in net assets	<u>\$ 75,928</u>
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation	39,098
Contributed recreational vehicle	(30,000)
Change in:	
Accounts receivable	(4,308)
Inventory	(11,375)
Prepaid expenses	(312)
Security deposit	(1,276)
Asset whose use is limited	(100,154)
Contributions receivable	24,000
Accounts payable	717
Accrued expenses	<u>22,703</u>
Total adjustments	<u>(60,907)</u>
Net cash provided by operating activities	<u>15,021</u>
Cash flows from investing activities:	
Purchase of property and equipment	<u>(26,415)</u>
Net cash used by investing activities	<u>(26,415)</u>
Net decrease in cash	(11,394)
Cash, beginning of year	<u>134,956</u>
Cash, end of year	<u><u>\$ 123,562</u></u>
Other cash flow disclosures:	
Noncash: Recreational vehicle contributed	<u><u>\$ 30,000</u></u>

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

**PET COMMUNITY CENTER, INC.  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 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, 2015, we had 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, 2015, seventeen 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)**  
**YEAR ENDED DECEMBER 31, 2015**

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

Property, Equipment and Depreciation

Equipment, furniture, vehicles and leasehold improvement purchases 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)  
YEAR ENDED DECEMBER 31, 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, 2015 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 2012 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 year ended December 31, 2015 was \$17,482.

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)  
YEAR ENDED DECEMBER 31, 2015

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

Fair Values of Financial Instruments

The carrying values of current assets and current liabilities approximate fair values due to the short maturities of these instruments.

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.

Permanently Restricted Net Assets

Permanently restricted amounts represent those assets contributed to the Organization where the original dollar value is to remain in perpetuity. As of December 31, 2015, there were no permanently restricted net assets.

**NOTE 3 – PROPERTY AND EQUIPMENT**

As of December 31, 2015, property and equipment consisted of the following:

Clinic equipment	\$ 70,110
Leasehold improvements	41,561
Office furniture and equipment	6,161
Vehicles	75,895
	<u>193,727</u>
Less accumulated depreciation	<u>(61,649)</u>
	<u><u>\$ 132,078</u></u>

**NOTE 4 – CONTRIBUTIONS RECEIVABLE**

Contributions receivable consisted of the following at December 31, 2015:

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

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

**NOTE 5 – ACCRUED EXPENSES**

As of December 31, 2015, accrued expenses consisted of the following:

Credit card payable	\$ 5,790
Payroll taxes and benefits payable	14,474
Accrued payroll	4,846
Rabies licenses payable	<u>5,112</u>
	<u>\$ 30,222</u>

**NOTE 6 – TEMPORARILY RESTRICTED NET ASSETS**

At December 31, 2015, temporarily restricted net assets consisted of the following time and purpose restrictions:

Contributions receivable	\$ 34,000
Spay/Neuter/Various Surgeries	130,025
Marketing and fundraising	<u>20,000</u>
	<u>\$ 184,025</u>

**NOTE 7 – LEASES**

The Organization leases office space with a total monthly payment of \$1,492. The following schedule summarizes future minimum lease payments as of the following:

<u>Year ending December 31:</u>	
2016	\$ 17,904
2017	2,592
2018	<u>1,080</u>
	<u>\$ 21,576</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 \$11,324 for business services provided by companies related to three board members.

**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.

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

**NOTE 10 – SUBSEQUENT EVENTS**

The Organization's management has evaluated subsequent events through April 25, 2016, the date which the financial statements were available to be issued.