

FIXNATION, INC.
**FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITOR'S REPORT**
YEAR ENDED DECEMBER 31, 2017

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
FixNation, Inc.
Los Angeles, CA

We have audited the accompanying financial statements of FixNation, Inc., which comprise the statement of assets, liabilities, and net assets - modified cash basis as of December 31, 2017 and 2016, and the related statement of support, revenue, and expenses - modified cash basis 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 the modified cash basis of accounting as described in Note A; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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.

AUDITOR'S 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 of 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 auditor's 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 assets, liabilities, and net assets of FixNation, Inc. as of December 31, 2017 and 2016, and its support, revenue, and expenses for the years then ended in accordance with the modified cash basis of accounting as described in Note A.

BASIS OF ACCOUNTING:

We draw attention to Note A of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

OTHER MATTERS:

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of functional expenses - modified cash basis and cash inflows and outflows - modified cash basis are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in accordance with the modified cash basis of accounting as described in Note A.



Arndt Consulting, LLC
June 16, 2018
Brookfield, WI

FIXNATION, INC.

STATEMENT OF ASSETS, LIABILITIES AND NET ASSETS - MODIFIED CASH BASIS

DECEMBER 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
<u>ASSETS</u>		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 640,427	\$ 485,708
Employee advances	<u>1,062</u>	<u>1,073</u>
TOTAL CURRENT ASSETS	641,489	486,781
PROPERTY AND EQUIPMENT:		
Property and equipment	360,259	351,274
Accumulated depreciation	<u>(292,988)</u>	<u>(285,274)</u>
NET PROPERTY AND EQUIPMENT	67,271	66,000
SECURITY DEPOSIT	<u>15,481</u>	<u>15,981</u>
TOTAL ASSETS	<u>\$ 724,241</u>	<u>\$ 568,762</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES:	-	-
NET ASSETS:		
Unrestricted	680,241	568,762
Temporarily restricted	<u>44,000</u>	<u>-</u>
TOTAL NET ASSETS	<u>724,241</u>	<u>568,762</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 724,241</u>	<u>\$ 568,762</u>

See notes to financial statements.

FIXNATION, INC.
STATEMENT OF SUPPORT, REVENUE AND EXPENSES - MODIFIED CASH BASIS
YEAR ENDED DECEMBER 31, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
PUBLIC SUPPORT AND REVENUE:			
Grants and foundations	\$ 699,138	\$ 44,000	\$ 743,138
Program service revenue	367,228	-	367,228
Donations and other public support	287,845	-	287,845
Rental and other income	26,914	-	26,914
In-kind revenue	500	-	500
	<u>1,381,625</u>	<u>44,000</u>	<u>1,425,625</u>
EXPENSES:			
Program	1,022,430	-	1,022,430
Management and general	154,691	-	154,691
Fundraising	93,025	-	93,025
	<u>1,270,146</u>	<u>-</u>	<u>1,270,146</u>
CHANGE IN NET ASSETS	111,479	44,000	155,479
NET ASSETS - BEGINNING OF YEAR	<u>568,762</u>	<u>-</u>	<u>568,762</u>
NET ASSETS - END OF YEAR	<u>\$ 680,241</u>	<u>\$ 44,000</u>	<u>\$ 724,241</u>

See notes to financial statements.

FIXNATION, INC.

STATEMENT OF SUPPORT, REVENUE AND EXPENSES - MODIFIED CASH BASIS

YEAR ENDED DECEMBER 31, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
PUBLIC SUPPORT AND REVENUE:			
Grants and foundations	\$ 841,015	\$ -	\$ 841,015
Program service revenue	256,970	-	256,970
Donations and other public support	345,306	-	345,306
Rental and other income	41,811	-	41,811
In-kind revenue	19,800	-	19,800
Interest income	1	-	1
	<u>1,504,903</u>	<u>-</u>	<u>1,504,903</u>
EXPENSES:			
Program	1,118,920	-	1,118,920
Management and general	103,678	-	103,678
Fundraising	113,294	-	113,294
	<u>1,335,892</u>	<u>-</u>	<u>1,335,892</u>
CHANGE IN NET ASSETS	169,011	-	169,011
NET ASSETS - BEGINNING OF YEAR	<u>399,751</u>	<u>-</u>	<u>399,751</u>
NET ASSETS - END OF YEAR	<u>\$ 568,762</u>	<u>\$ -</u>	<u>\$ 568,762</u>

See notes to financial statements.

FIXNATION, INC.**NOTES TO FINANCIAL STATEMENTS****YEARS ENDED DECEMBER 31, 2017 and 2016****NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:****DESCRIPTION OF ORGANIZATION:**

FixNation, Inc. (the Organization), is a not-for-profit, tax exempt 501 (c) (3) public benefit organization that offers free spay and neuter services for homeless, stray and feral cats and provides reduced rate spay and neuter services for non-feral cats.

NATURE OF PROGRAMS:

Spay and Neuter Clinic – The Organization offers free and reduced rate spay and neuter services to the general public, provides humane traps and equipment to the community free of charge, provides training on how to humanely trap feral cats and kittens, and offers guidance and information on long-term care and management for feral colonies.

Dog and Cat Vaccine and Microchip Clinic – The Organization provides dog and cat vaccine and microchip services.

TAX-EXEMPT STATUS:

The Organization is exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code. Additionally, the Organization qualifies for the charitable contribution deductions under section 170(b)(1)(A) and has been classified as a public charity under section 509(a)(1). The agency is also exempt from state income taxes.

Generally, the Organization's tax exempt income tax returns are subject to examination for three years after they are filed.

BASIS OF ACCOUNTING:

The accompanying financial statements have been prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than prescribed by generally accepted accounting principles. Under this basis of accounting, the Organization recognizes revenue and expense as cash is received or expended and utilizes straight-line and accelerated methods of depreciation which may recognize up to 100% of the cost as depreciation expense in the year of acquisition.

USE OF ESTIMATES:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

FINANCIAL STATEMENT PRESENTATION:

The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted:

FIXNATION, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2017 and 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Unrestricted net assets – Unrestricted net assets generally result from revenues from providing services, producing and delivering goods, receiving unrestricted contributions, and receiving dividends or interest from investing in income producing assets, less expenses incurred in providing services, producing and delivering goods, raising contributions, and performing administrative functions. The only limits on the use of unrestricted net assets are the broad limits resulting from the nature of the Organization, the environment in which it operates, and the purposes specified in its articles of incorporation or bylaws and limits resulting from contractual agreements with suppliers, creditors, and others entered into by the Organization in the course of its business.

Temporarily restricted net assets – The part of the net assets of a not-for-profit organization resulting (a) from contributions and other inflows of assets whose use by the Organization is limited by donor imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Organization pursuant to those stipulations, (b) from other asset enhancements and diminishment subject to the same kinds of stipulations, and (c) from reclassifications to (or from) other classes of net assets as a consequence of donor imposed stipulations, their expiration by passage of time, or their fulfillment and removal by actions of the Organization pursuant to those stipulations.

Permanently restricted net assets – The part of the net assets of a not-for-profit organization resulting (a) from contributions and other inflows of assets whose use by the Organization is limited by donor imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Organization, (b) from other asset enhancements and diminishment subject to the same kinds of stipulations, and (c) from reclassifications from (or to) other classes of net assets as a consequence of donor imposed stipulations.

CASH AND CASH EQUIVALENTS:

The Organization defines cash and cash equivalents as highly liquid, short-term investments with a maturity at the date of acquisition of three months or less.

PROPERTY AND EQUIPMENT:

Property and equipment is stated at cost if purchased or fair market value at the date of the gift if donated. Acquisitions of property and equipment and expenditures for improvements and betterments in excess of \$5,000 that prolong the useful lives of assets are capitalized. Maintenance, repairs, and minor improvements are expensed as incurred. When assets are retired or otherwise disposed of, their costs and related accumulated depreciation are removed from the accounts and resulting gains or losses are included in the statement of activities. Property and equipment is depreciated using straight-line and accelerated methods of depreciation which may recognize up to 100% of the cost as depreciation expense in the year of acquisition.

FIXNATION, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2017 and 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

REVENUE RECOGNITION:

Contributions, including unconditional promises to give, are recognized in the period received. Conditional promises are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met.

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support.

IN-KIND CONTRIBUTIONS:

The Organization reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support.

DONATED SERVICES:

Contributions of services are recognized if the services received (a) create or enhance non-financial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

EXPENSE ALLOCATION:

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying schedule of functional expenses - modified cash basis. Accordingly, certain costs have been allocated among the programs benefited.

NOTE B – CONCENTRATION OF CREDIT RISK:

The Organization maintains its cash balances in a financial institution. Cash balances may exceed federally insured limits. The Organization monitors the financial condition of its financial institution and believes it is not exposed to any significant credit risk on cash.

NOTE C – CONCENTRATION OF REVENUE:

The Organization receives a substantial portion of its support and revenue from a limited number of sources. For the year ended December 31, 2017, one source accounted for 22.53% of total unrestricted support and revenue. For the year ended December 31, 2016, this same source accounted for 21.71% of total unrestricted support and revenue.

FIXNATION, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2017 and 2016

NOTE D – PROPERTY AND EQUIPMENT:

The major categories of property and equipment as of December 31, 2017 and 2016 are summarized as follows:

	<u>2017</u>	<u>2016</u>
Leasehold improvements	\$ 202,974	\$ 202,974
Furniture, fixtures and equipment	<u>157,285</u>	<u>148,300</u>
	360,259	351,274
Less accumulated depreciation	<u>292,988</u>	<u>285,274</u>
	<u>\$ 67,271</u>	<u>\$ 66,000</u>

NOTE E – COMMITMENTS:

The Organization leases its facility under a long-term non-cancelable operating lease agreement. The lease expires in October 2018 and provides for rental payment of premises and common area costs. Rent expense for the year ended December 31, 2017 was \$82,908 and was \$82,908 for the year ended December 31, 2016. Future minimum rental payments under this lease are as follows:

2018	\$ 73,298
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The Organization is party to an employment dispute regarding equitable compensation and wrongful termination. Management believes the dispute has no merit and the Company is not subject to additional remuneration or employee compensation.

NOTE F – RELATED PARTY:

The Organization's founders are also the founders of an association that distributes and provides resources related to the Organization's spay and neuter clinic. Generally, these services are provided by the related association by unpaid volunteers. No amounts have been recognized in the statement of activities because the criteria for recognition have not been satisfied.

NOTE G – SUBSEQUENT EVENTS:

Management has evaluated subsequent events for possible recognition or disclosure through the date the financial statements were available to be distributed, June 16, 2018. There were no subsequent events that required recognition or disclosure.

**SUPPLEMENTARY
INFORMATION**

FIXNATION, INC.
SCHEDULE OF FUNCTIONAL EXPENSES - MODIFIED CASH BASIS
YEAR ENDED DECEMBER 31, 2017

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and wages	\$ 372,630	\$ 27,000	\$ 18,000	\$ 417,630
Employee benefits	32,249	10,562	4,601	47,412
Payroll taxes	33,681	2,063	1,375	37,119
Insurance	16,751	6,295	3,766	26,812
Contract labor	52,374	5,792	31,518	89,684
Professional fees	193,449	41,123	-	234,572
Payroll processing	2,716	-	-	2,716
Interest expense	101	-	-	101
Bank and credit card fees	-	10,513	-	10,513
Supplies	3,062	85	2,328	5,475
Animal supplies	2,914	-	-	2,914
Surgical supplies	171,635	-	-	171,635
Cremation expense	807	-	-	807
Telephone	8,054	858	942	9,854
Postage	127	608	159	894
Rent expense	70,472	12,436	-	82,908
Trash removal	1,346	-	-	1,346
Repairs and maintenance	11,018	-	-	11,018
Equipment	2,282	-	-	2,282
Storage	5,900	-	-	5,900
Printing and reproduction	5,229	-	-	5,229
Advertising	1,109	-	-	1,109
Travel	1,262	1,121	-	2,383
Vehicle expense	2,430	-	-	2,430
Food and meeting expense	2,026	195	3,526	5,747
Gift expense	-	28	-	28
Dues and fees	-	416	-	416
Board expense	-	396	-	396
Donations	1,663	200	-	1,863
Fundraising	-	-	26,810	26,810
Utilities	9,613	-	-	9,613
In-kind expense	500	-	-	500
Settlement expense	-	35,000	-	35,000
Depreciation	17,030	-	-	17,030
TOTAL EXPENSES	<u>\$ 1,022,430</u>	<u>\$ 154,691</u>	<u>\$ 93,025</u>	<u>\$ 1,270,146</u>

See notes to financial statements.

FIXNATION, INC.
SCHEDULE OF FUNCTIONAL EXPENSES - MODIFIED CASH BASIS
YEAR ENDED DECEMBER 31, 2016

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and wages	\$ 366,733	\$ 27,000	\$ 18,000	\$ 411,733
Employee benefits	50,957	8,702	-	59,659
Payroll taxes	32,532	3,442	-	35,974
Insurance	21,733	3,213	-	24,946
Contract labor	42,335	1,500	35,401	79,236
Professional fees	196,979	34,840	-	231,819
Payroll processing	2,841	-	-	2,841
Bank and credit card fees	-	9,969	-	9,969
Supplies	3,934	-	2,206	6,140
Animal supplies	2,397	-	-	2,397
Surgical supplies	242,884	-	318	243,202
Cremation expense	939	-	-	939
Telephone	9,659	861	-	10,520
Postage	214	661	-	875
Rent expense	70,472	12,436	-	82,908
Trash removal	2,433	-	-	2,433
Repairs and maintenance	1,606	-	-	1,606
Equipment	410	-	-	410
Storage	7,676	-	-	7,676
Printing and reproduction	6,219	-	2,852	9,071
Advertising	6,227	-	-	6,227
Travel	3,291	-	-	3,291
Vehicle expense	7,283	-	-	7,283
Food and meeting expense	1,781	251	1,911	3,943
Gift expense	110	198	-	308
Dues and fees	-	430	-	430
Donations	-	175	-	175
Fundraising	-	-	52,606	52,606
Catnippers	216	-	-	216
Utilities	9,059	-	-	9,059
In-kind expense	19,800	-	-	19,800
Depreciation	8,200	-	-	8,200
TOTAL EXPENSES	<u>\$ 1,118,920</u>	<u>\$ 103,678</u>	<u>\$ 113,294</u>	<u>\$ 1,335,892</u>

See notes to financial statements.

FIXNATION, INC.
SCHEDULE OF CASH INFLOWS AND OUTFLOWS- MODIFIED CASH BASIS
YEARS ENDED DECEMBER 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 155,479	\$ 169,011
Adjustments to reconcile change in net assets to cash provided/(used) by operating activities:		
Depreciation	17,030	8,200
Change in other current assets	11	(1,073)
Change in security deposit	500	(500)
Change in payroll liability	-	-
Change in deferred revenue	-	(51,624)
	<hr/>	<hr/>
NET CASH PROVIDED BY BY OPERATING ACTIVITIES	173,020	124,014
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment in equipment	<u>(18,301)</u>	<u>(70,000)</u>
NET CASH USED BY INVESTING ACTIVITIES	(18,301)	(70,000)
CASH FLOWS FROM FINANCING ACTIVITIES:		
No activity to report	<hr/>	<hr/>
NET CASH PROVIDED BY FINANCING ACTIVITIES	<hr/>	<hr/>
NET CHANGE IN CASH	154,719	54,014
CASH AND CASH EQUIVALENTS:		
Beginning of year	<u>485,708</u>	<u>431,694</u>
End of year	<u>\$ 640,427</u>	<u>\$ 485,708</u>
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid for interest	<u>\$ -</u>	<u>\$ -</u>

See notes to financial statements.