

FIXNATION, INC.
**FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITOR'S REPORT**
YEAR ENDED DECEMBER 31, 2018

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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, 2018 and 2017, 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, 2018 and 2017, 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
May 21, 2019
Brookfield, WI

FIXNATION, INC.

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

DECEMBER 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
<u>ASSETS</u>		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 966,852	\$ 640,427
Employee advances	-	1,062
	<u>966,852</u>	<u>641,489</u>
TOTAL CURRENT ASSETS	966,852	641,489
PROPERTY AND EQUIPMENT:		
Property and equipment	402,759	360,259
Accumulated depreciation	<u>(316,098)</u>	<u>(292,988)</u>
NET PROPERTY AND EQUIPMENT	86,661	67,271
SECURITY DEPOSIT	<u>15,481</u>	<u>15,481</u>
TOTAL ASSETS	<u>\$ 1,068,994</u>	<u>\$ 724,241</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES:	-	-
NET ASSETS:		
Without donor restrictions	957,514	680,241
With donor restrictions	<u>111,480</u>	<u>44,000</u>
TOTAL NET ASSETS	<u>1,068,994</u>	<u>724,241</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,068,994</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, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
PUBLIC SUPPORT AND REVENUE:			
Grants and foundations	\$ 739,303	\$ 111,480	\$ 850,783
Program service revenue	447,036	-	447,036
Donations and other public support	283,629	-	283,629
Rental and other income	29,902	-	29,902
Released from restrictions	44,000	(44,000)	-
	<u>1,543,870</u>	<u>67,480</u>	<u>1,611,350</u>
EXPENSES:			
Program	1,091,726	-	1,091,726
Management and general	100,778	-	100,778
Fundraising	74,093	-	74,093
	<u>1,266,597</u>	<u>-</u>	<u>1,266,597</u>
CHANGE IN NET ASSETS	277,273	67,480	344,753
NET ASSETS - BEGINNING OF YEAR	<u>680,241</u>	<u>44,000</u>	<u>724,241</u>
NET ASSETS - END OF YEAR	<u>\$ 957,514</u>	<u>\$ 111,480</u>	<u>\$ 1,068,994</u>

See notes to financial statements.

FIXNATION, INC.

STATEMENT OF SUPPORT, REVENUE AND EXPENSES - MODIFIED CASH BASIS

YEAR ENDED DECEMBER 31, 2017

	Without Donor Restrictions	With Donor Restrictions	Total
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.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2018 and 2017

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. Sources of revenue consist of fees for service, donations, grants, and other public support.

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 follows ASU 2016-14 regarding its financial position and activities and reports its net assets according to two classes: 1) without donor restrictions and 2) with donor restrictions:

FIXNATION, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2018 and 2017

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

Without Donor Restrictions – Net assets that 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 these 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.

With Donor Restrictions – 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, (b) from other asset enhancements and diminishments subject to the same kinds of stipulations, and (c) from reclassifications to (or from) net assets without restriction as a consequence of donor imposed stipulations, or their fulfillment and removal by actions of the Organization pursuant to those 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.

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.

FIXNATION, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2018 and 2017

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

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, restricted net assets are reclassified to net assets without restriction 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.

ADVERTISING EXPENSE:

Advertising expenditures are expensed as incurred. No amounts have been capitalized or are being amortized to future periods.

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 based on direct and variable expense analysis.

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, 2018, one source accounted for 15.43% of total support and revenue and the year ended December 31, 2017, one source accounted for 22.53% of total support and revenue.

FIXNATION, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2018 and 2017

NOTE D – PROPERTY AND EQUIPMENT:

The major categories of property and equipment as of December 31, 2018 and 2017 are summarized as follows:

	<u>2018</u>	<u>2017</u>
Leasehold improvements	\$ 202,974	\$ 202,974
Furniture, fixtures and equipment	<u>199,785</u>	<u>157,285</u>
	402,759	360,259
Less accumulated depreciation	<u>316,098</u>	<u>292,988</u>
	<u>\$ 86,661</u>	<u>\$ 67,271</u>

NOTE E – COMMITMENTS:

The Organization leases its facility under a long-term non-cancelable operating lease agreement. The lease expires in October 2020 and provides for rental payment of premises and common area costs. Rent expense for the year ended December 31, 2018 was \$82,905 and \$82,908 for the year ended December 31, 2017. Future minimum rental payments under this lease are as follows:

2019	\$ 91,049
2020	77,761

NOTE F – DONOR RESTRICTED NET ASSETS:

Donor restricted net assets were available for the following purposes as of December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
ASPCA Grant - Operations	\$ 66,480	\$ -
ASPCA Grant - Facility Expansion	45,000	-
PetsMart Grant	<u>-</u>	<u>44,000</u>
Total	<u>\$ 111,480</u>	<u>\$ 44,000</u>

FIXNATION, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2018 and 2017

NOTE G – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS:

The following reflects the Organization's financial assets as of the statement of financial position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date.

	<u>2018</u>	<u>2017</u>
Financial assets at year-end	\$ 966,852	\$ 641,489
Less those unavailable for general expenditures within one year, due to:		
Donor imposed restrictions	<u>111,480</u>	<u>44,000</u>
Financial assets available to meet general expenditures within one year	<u>\$ 855,372</u>	<u>\$ 597,489</u>

As part of the Organization's liquidity management, it maintains cash in excess of daily requirements in bank checking accounts.

NOTE H – 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.

A board member provides community outreach services to the Organization as the needs of the Organization dictate. For the year ended December 31, 2018 these services amounted to \$7,075 and for the year ended December 31, 2017 these services amounted to \$7,750.

NOTE I – SUBSEQUENT EVENTS:

Management has evaluated subsequent events for possible recognition or disclosure through the date the financial statements were available to be distributed, May 21, 2019. 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, 2018

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and wages	\$ 379,393	\$ 27,000	\$ 18,000	\$ 424,393
Employee benefits	40,346	-	-	40,346
Payroll taxes	33,585	2,064	1,376	37,025
Insurance	18,050	7,375	4,917	30,342
Contract labor	50,095	-	23,939	74,034
Professional fees	206,771	35,760	-	242,531
Payroll processing	6,343	-	-	6,343
Bank and credit card fees	-	10,953	-	10,953
Supplies	2,209	372	2,618	5,199
Animal supplies	3,106	-	-	3,106
Surgical supplies	212,316	-	-	212,316
Cremation expense	1,117	-	-	1,117
Telephone	7,879	1,116	744	9,739
Postage	946	707	-	1,653
Rent expense	70,469	12,436	-	82,905
Trash removal	2,400	-	-	2,400
Repairs and maintenance	1,670	-	-	1,670
Equipment	2,587	-	-	2,587
Storage	5,445	-	-	5,445
Printing and reproduction	4,404	-	1,840	6,244
Advertising	2,864	-	-	2,864
Travel	40	587	-	627
Vehicle expense	1,130	-	-	1,130
Food and meeting expense	1,133	434	3,456	5,023
Gift expense	-	824	-	824
Dues and fees	435	190	-	625
Donations	-	760	-	760
Fundraising	-	-	12,853	12,853
Utilities	10,692	-	-	10,692
Settlement expense	-	200	-	200
Program outreach	3,191	-	4,350	7,541
Depreciation	23,110	-	-	23,110
TOTAL EXPENSES	<u>\$ 1,091,726</u>	<u>\$ 100,778</u>	<u>\$ 74,093</u>	<u>\$ 1,266,597</u>

See notes to financial statements.

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 CASH INFLOWS AND OUTFLOWS- MODIFIED CASH BASIS

YEARS ENDED DECEMBER 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 344,753	\$ 155,479
Adjustments to reconcile change in net assets to cash provided/(used) by operating activities:		
Depreciation	23,110	17,030
Change in other current assets	1,062	11
Change in security deposit	<u>-</u>	<u>500</u>
NET CASH PROVIDED BY BY OPERATING ACTIVITIES	368,925	173,020
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment in equipment	<u>(42,500)</u>	<u>(18,301)</u>
NET CASH USED BY INVESTING ACTIVITIES	(42,500)	(18,301)
CASH FLOWS FROM FINANCING ACTIVITIES:		
No activity to report	<u>-</u>	<u>-</u>
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>-</u>	<u>-</u>
NET CHANGE IN CASH	326,425	154,719
CASH AND CASH EQUIVALENTS:		
Beginning of year	<u>640,427</u>	<u>485,708</u>
End of year	<u>\$ 966,852</u>	<u>\$ 640,427</u>
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid for interest	<u>\$ -</u>	<u>\$ -</u>

See notes to financial statements.