

PET HELPERS, INC.  
CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2017

PET HELPERS, INC.  
CONSOLIDATED FINANCIAL REPORT  
DECEMBER 31, 2017  
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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Pet Helpers, Inc.  
Charleston, South Carolina

We have audited the accompanying consolidated financial statements of Pet Helpers, Inc., which comprise the consolidated statement of financial position as of December 31, 2017, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

### *Management's Responsibility for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Pet Helpers, Inc. as of December 31, 2017, 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.

**Other Matters**

The consolidated financial statements of Pet Helpers, Inc. as of December 31, 2016, were audited by other auditors whose report dated August 7, 2017, expressed an unmodified opinion on those statements.

*DCPAS, LLC dba Davis & Company CPAs*

Mount Pleasant, South Carolina  
June 8, 2018

PET HELPERS, INC.  
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2017 AND 2016

ASSETS	2017	2016
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 295,427	\$ 238,848
Unconditional promises to give	2,680	18,479
Inventory	31,984	31,658
<b>TOTAL CURRENT ASSETS</b>	<b>330,091</b>	<b>288,985</b>
<b>NONCURRENT ASSETS</b>		
Investments, fair value	1,738,370	1,672,618
Cash value life insurance	19,877	18,736
Other assets	71,833	71,825
Property and equipment, net	3,480,585	3,594,936
<b>TOTAL NON CURRENT ASSETS</b>	<b>5,310,665</b>	<b>5,358,115</b>
<b>TOTAL ASSETS</b>	<b>\$ 5,640,756</b>	<b>\$ 5,647,100</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 62,904	\$ 44,144
Notes payable, current portion	102,165	99,186
<b>TOTAL CURRENT LIABILITIES</b>	<b>165,069</b>	<b>143,330</b>
<b>NONCURRENT LIABILITIES</b>		
Notes payable, long-term portion	1,483,739	1,569,877
<b>TOTAL NONCURRENT LIABILITIES</b>	<b>1,483,739</b>	<b>1,569,877</b>
<b>TOTAL LIABILITIES</b>	<b>1,648,808</b>	<b>1,713,207</b>
<b>NET ASSETS</b>		
Unrestricted	3,348,310	3,290,255
Temporarily restricted	643,638	643,638
<b>TOTAL NET ASSETS</b>	<b>3,991,948</b>	<b>3,933,893</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 5,640,756</b>	<b>\$ 5,647,100</b>

See accompanying notes.

PET HELPERS, INC.  
CONSOLIDATED STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2017

SUPPORT AND REVENUES	Unrestricted	Temporarily Restricted	Total
Grants	\$ 30,687	\$ -	\$ 30,687
Contributions	736,174	-	736,174
Resale sales	352,868	-	352,868
Adoption income	137,595	-	137,595
Clinic income	255,417	-	255,417
Special events	168,322	-	168,322
Bingo income	55,202	-	55,202
Interest and dividends, net of fees of \$5,349	51,791	-	51,791
Net unrealized/ realized gains on investments	175,314	-	175,314
TOTAL SUPPORT AND REVENUES	<u>1,963,370</u>	<u>-</u>	<u>1,963,370</u>
EXPENSES			
Program services	1,405,237	-	1,405,237
Management and general	138,336	-	138,336
Fundraising services	361,742	-	361,742
TOTAL EXPENSES	<u>1,905,315</u>	<u>-</u>	<u>1,905,315</u>
CHANGE IN NET ASSETS	<u>58,055</u>	<u>-</u>	<u>58,055</u>
NET ASSETS AT BEGINNING OF YEAR	<u>3,290,255</u>	<u>643,638</u>	<u>3,933,893</u>
NET ASSETS AT END OF YEAR	<u>\$ 3,348,310</u>	<u>\$ 643,638</u>	<u>\$ 3,991,948</u>

See accompanying notes.

PET HELPERS, INC.  
CONSOLIDATED STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2016

SUPPORT AND REVENUES	Unrestricted	Temporarily Restricted	Total
Grants	\$ 33,817	\$ -	\$ 33,817
Contributions	908,616	-	908,616
Resale sales	349,831	-	349,831
Adoption income	215,993	-	215,993
Clinic income	253,885	-	253,885
Special events	276,942	-	276,942
Interest and dividends, net of fees of \$10,982	33,339	-	33,339
Net unrealized/ realized gains on investments	115,662	-	115,662
<b>TOTAL SUPPORT AND REVENUES</b>	<b>2,188,085</b>	<b>-</b>	<b>2,188,085</b>
<b>EXPENSES</b>			
Program services	1,448,668	-	1,448,668
Management and general	268,253	-	268,253
Fundraising services	430,690	-	430,690
<b>TOTAL EXPENSES</b>	<b>2,147,611</b>	<b>-</b>	<b>2,147,611</b>
<b>CHANGE IN NET ASSETS</b>	<b>40,474</b>	<b>-</b>	<b>40,474</b>
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<b>3,218,849</b>	<b>643,638</b>	<b>3,862,487</b>
Transfer in Animal Helpers Retail Sales	30,932	-	30,932
<b>NET ASSETS AT END OF YEAR</b>	<b>\$ 3,290,255</b>	<b>\$ 643,638</b>	<b>\$ 3,933,893</b>

See accompanying notes.

PET HELPERS, INC.  
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2017

	Program Services	Management and General	Fundraising Services	Total Expenses
Other salaries and wages	\$ 675,979	\$ 68,107	\$ 32,050	\$ 776,136
Payroll taxes	45,036	14,411	14,404	73,851
Animal care - kennel	176,045	-	-	176,045
Professional fees	41,487	-	66,244	107,731
Animal care - clinic	100,636	-	-	100,636
Special event	22,166	-	66,500	88,666
Occupancy	800	1,541	67,200	69,541
Utilities	50,936	6,353	6,354	63,643
Interest	52,910	5,032	4,669	62,611
Repairs and maintenance	27,957	9,652	9,652	47,261
Write off of unconditional promises to give	-	-	39,138	39,138
Insurance	22,545	8,644	6,841	38,030
Contract labor	35,443	-	-	35,443
Bank fees	12,972	1,321	8,524	22,817
Advertising	4,003	-	16,014	20,017
Other	780	514	16,902	18,196
Equipment leases	13,193	1,649	1,649	16,491
Telephone	11,097	1,387	1,387	13,871
Travel	6,660	832	832	8,324
Supplies	4,526	1,508	1,508	7,542
Postage and shipping	469	-	1,874	2,343
Staff meetings	1,031	-	-	1,031
Total expenses before depreciation	<u>1,306,671</u>	<u>120,951</u>	<u>361,742</u>	<u>1,789,364</u>
Depreciation expense	98,566	17,385	-	115,951
Total functional expenses	<u>\$ 1,405,237</u>	<u>\$ 138,336</u>	<u>\$ 361,742</u>	<u>\$ 1,905,315</u>

See accompanying notes.



PET HELPERS, INC.  
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2016

	Program Services	Management and General	Fundraising Services	Total Expenses
Other salaries and wages	\$ 701,445	\$ 106,547	\$ 95,022	\$ 903,014
Other employee benefits	2,125	258	193	2,576
Payroll taxes	64,388	11,037	8,820	84,245
Professional fees	5,837	26,589	118,059	150,485
Animal care - kennel	131,194	14,577	-	145,771
Animal care - clinic	115,093	12,788	-	127,881
Special event	-	-	113,820	113,820
Postage and shipping	58,482	6,915	3,754	69,151
Utilities	56,713	6,891	3,754	67,358
Interest	47,438	7,132	1,756	56,326
Insurance	29,057	16,681	2,288	48,026
Advertising	4,861	4,409	34,820	44,090
Contract labor	9,471	3,686	23,704	36,861
Write off of unconditional promises to give	26,385	8,639	-	35,024
Bank fees	6,161	13,459	8,181	27,801
Repairs and maintenance	19,183	2,149	718	22,050
Supplies	16,102	2,416	2,498	21,016
Technology	10,639	4,358	2,371	17,368
Staff meetings	7,491	2,659	6,789	16,939
In-kind expense	9,694	1,295	1,959	12,948
Other	10,456	1,217	494	12,167
Direct mail campaign	7,642	1,813	760	10,215
Telephone	1,747	830	830	3,407
Travel	734	93	100	927
Occupancy	116	13	-	129
Total expenses before depreciation	<u>1,342,454</u>	<u>256,451</u>	<u>430,690</u>	<u>2,029,595</u>
Depreciation expense	106,214	11,802	-	118,016
Total functional expenses	<u>\$ 1,448,668</u>	<u>\$ 268,253</u>	<u>\$ 430,690</u>	<u>\$ 2,147,611</u>

See accompanying notes

PET HELPERS, INC.  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

CASH FLOWS FROM OPERATING ACTIVITIES	2017	2016
Increase in net assets	\$ 58,055	\$ 40,474
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Transfer in cash from Animal Helpers Retail Sales	-	30,932
Depreciation	115,951	118,016
Unrealized (gain) on investments	(169,167)	(149,001)
Write off unconditional promises	39,138	35,024
(Increase) decrease in operating assets:		
Unconditional promises to give	(23,339)	31,392
Inventory	(326)	6,103
Other assets	(8)	424
Increase (decrease) in operating liabilities:		
Accounts payable	18,760	(34,883)
NET CASH PROVIDED BY OPERATING ACTIVITIES	39,064	78,481
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(10,758)	(372,342)
Purchase of Animal Helpers Retail Sales	-	(70,000)
Proceeds from sale of investments	113,032	554,095
Purchases of property and equipment	(1,600)	-
NET CASH PROVIDED BY INVESTING ACTIVITIES	100,674	111,753
 CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on long-term debt	(83,159)	(85,772)
NET CASH USED BY FINANCING ACTIVITIES	(83,159)	(85,772)
 NET INCREASE IN CASH	56,579	104,462
 CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	238,848	134,386
 CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 295,427	\$ 238,848
 SUPPLEMENTAL DISCLOSURES		
Interest expense	\$ 62,611	\$ 56,326

See accompanying notes.

PET HELPERS, INC.  
CONSOLIDATED NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017 AND 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Pet Helpers, Inc. and its affiliate and subsidiary Animal Helpers Retail Resale Store, LLC (Animal Helpers) referred to collectively as (the Organization) are a private, non-profit 501(c)(3) corporations registered in the State of South Carolina. Pet Helpers, Inc. is an animal adoption center and low cost spay/neuter clinic that serves communities across the Lowcountry. Pet Helpers mission is to end euthanasia of all adoptable animals by keeping all animals until adopted, providing the public with low cost spay/neuter surgeries, raising awareness through humane education and pursuing animal cruelty prosecution; and initiating animal welfare legislation. Animal Helpers is an organization that serves to resale goods and donated items for the benefit of Pet Helpers, Inc.

Basis of Accounting

The consolidated financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

The Organization prepares consolidated financial statements in accordance with FASB Accounting Standards Codification (ASC) 958-205 and subsections. Under ASC 958-205, the Organization is required to report information regarding its consolidated financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Organization is required to present a consolidated statements of cash flows. There were no permanently restricted assets at December 31, 2017 and 2016.

During 2016, Pet Helpers, Inc. purchased 100% ownership of its affiliate Animal Helpers Retail Resale Store, LLC for \$70,000.

Principles of Consolidation

The consolidating financial statements include the accounts of Pet Helpers, Inc. and Animal Helpers (collectively referred to as the Organization). Significant intra-entity accounts and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Management believes that these estimates and assumptions provide a reasonable basis for the fair presentation of the consolidated financial statements.

Cash and Cash Equivalents

For purposes of the consolidated statements of cash flows, the Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Unconditional Promises to Give and Other Receivables

The Organization records unconditional promises and other receivables given by donors. Unconditional promises to give and other receivables are recognized as revenues in the period received and as assets, decreases in liabilities or expenses depending on the form of the benefits received. The Organization uses the allowance method of recording allowance for bad debts. Based on its previous experience, the Organization anticipates that these amounts will be collected in full. Accordingly, no allowance for uncollectible amounts have been recorded.

PET HELPERS, INC.  
CONSOLIDATED NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017 AND 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Investments

Investments purchased by the Organization are initially recorded at cost and donated investments are recorded at their fair value on the date they are received as a donation. Subsequent to their acquisition, investments in marketable securities with readily determinable fair values are adjusted to their fair value as of the date of the statements of financial position. Realized and unrealized gains and losses are reflected in the consolidated statements of activities.

Investments are exposed to various risks such as significant world events, interest rate, credit, and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the fair value of investments will occur in the near term and that such changes could materially affect the amounts reported in the statements of financial position.

Investment income is recorded net of investment expenses. Realized gains or losses on investments are determined by comparison of specific cost of acquisition to proceeds at the time of disposal. Unrealized gains or losses are calculated by comparing cost to market values at the consolidated statements of financial position date. Investment income and gains restricted by donors are reported as increases in unrestricted net assets if the restrictions are met (either a stipulated time period ends or a purpose restriction is accomplished) in the reporting period in which the income and gains are recognized.

Inventory

Inventory is accounted for at the lower of cost or net realizable value and consists of medical medications and supplies. Inventory is utilized on a first in first out (FIFO) method.

Property and Equipment

The Organization capitalizes all expenditures for property and equipment in excess of \$1,000. Purchased property and equipment are carried at cost. Donated property and equipment are carried at the approximate fair value at the date of donation. Depreciation is computed using primarily the straight line method over estimated useful lives from 3 to 39 years.

Revenue Recognition

In accordance with standards FASB ASC 958-50, *Accounting for Contributions Received and Contributions Made*, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. The Organization reports contributions as restricted support if they are received with donor stipulations that limit the use of the donation. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of activities as net assets released from restriction. It is the Organization's policy to record restricted contributions received and released in the same year as unrestricted support. The Organization did not receive any permanently restricted contributions or assets in 2017 and 2016.

Functional Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the consolidated statements of activities and in the consolidated statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

PET HELPERS, INC.  
CONSOLIDATED NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017 AND 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Income Tax Status

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation. The Organization had no tax liability on unrelated business income during the years ended December 31, 2017 and 2016.

Management has evaluated the tax positions of the Organization and does not believe that any uncertain tax positions or unrecognized tax benefits exist for the years ended December 31, 2017 and 2016. The Organization's policy is to report accrued interest related to unrecognized tax benefits, when applicable, as interest expense and to report penalties as other expense.

The Organization currently has no unrelated business income. Accordingly, no provision for income taxes has been recorded. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax period in progress.

Fair Value of Financial Instrument

The carrying amount of cash, investments, insurance policies and investments in equity are stated at or approximate fair value at December 31, 2017 and 2016, because of the terms and relatively short maturity of those instruments.

Donated Assets and Services

Donated equipment, investments, and other noncash donations are recorded as contributions at their fair market value at the date of donation. The Organization reports the donations 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 must be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Donated services that do not require specialized skills or enhance nonfinancial assets are not recorded in the accompanying financial statements because no objective basis is available to measure the value of such services. A substantial number of volunteers have donated significant amounts of their time to the Organization's program services and its fundraising campaigns, the value of which is not recorded in the accompanying financial statements.

Reclassification

Certain accounts in the prior year's consolidated financial statements have been reclassified to conform to current year presentations. These reclassifications have no effect on the previously reported net assets or changes in net assets.

PET HELPERS, INC.  
CONSOLIDATED NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017 AND 2016

NOTE B - UNCONDITIONAL PROMISES TO GIVE

Total unconditional promises to give consist of \$2,680 and \$18,479 at December 31 2017 and 2016, respectively.

NOTE C - INVESTMENTS

Investments held by the Organization as cash and cash equivalents, mutual funds, equity securities, real estate investment trust, and corporate and U.S. debt securities. Investments consisted of the following at December 31:

	<u>2017</u>		<u>2016</u>	
	<u>Cost</u>	<u>Market Value</u>	<u>Cost</u>	<u>Market Value</u>
Money market funds	\$ 18,756	\$ 18,756	\$ 8,773	\$ 8,773
Certificates of deposit	50,000	53,204	50,000	52,544
Mutual funds	585,517	598,742	704,643	716,958
Stock and equities	734,579	962,148	725,105	788,823
Real estate investment trust	233,220	105,520	233,220	105,520
Total	<u>\$ 1,622,072</u>	<u>\$ 1,738,370</u>	<u>\$ 1,721,741</u>	<u>\$ 1,672,618</u>

Investment income consists of the following for the years ended December 31:

	<u>2017</u>	<u>2016</u>
Realized gain	\$ 6,147	\$ 3,846
Dividend and interest income	57,140	44,321
Fees	(5,349)	(10,982)
Unrealized gain	169,167	111,816
Net investment income	<u>\$ 227,105</u>	<u>\$ 149,001</u>

PET HELPERS, INC.  
CONSOLIDATED NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017 AND 2016

NOTE D - FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial Accounting Standards Board (FASB) *Accounting Standards Codification (ASC) 820, Fair Value Measurements and Disclosures*, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1                      Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the organization has the ability to access.

Level 2                      Inputs to the valuation methodology include

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3                      Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

For the years ended December 31, 2017 and 2016, the application of valuation techniques applied to similar assets and liabilities have been consistent. The following is a description of the valuation methodologies used for instruments measured at fair value. The fair value of investments is based on quoted market rates or from third party pricing services for identical or similar assets.

PET HELPERS, INC.  
CONSOLIDATED NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017 AND 2016

NOTE D - FAIR VALUE OF FINANCIAL INSTRUMENTS - Continued

Financial assets measured at fair value on a recurring basis are as follows as of December 31:

Description	2017			
	Level 1	Level 2	Level 3	Total
Money market funds	\$ 18,756	\$ -	\$ -	\$ 18,756
Certificates of deposit	-	53,204	-	53,204
Mutual funds	598,742	-	-	598,742
Stock and equities	962,148	-	-	962,148
Real estate investment trust		105,520	-	105,520
Total	<u>\$ 1,579,646</u>	<u>\$ 158,724</u>	<u>\$ -</u>	<u>\$ 1,738,370</u>

  

Description	2016			
	Level 1	Level 2	Level 3	Total
Money market funds	\$ 8,773	\$ -	\$ -	\$ 8,773
Certificates of deposit	-	52,544	-	52,544
Mutual funds	716,958	-	-	716,958
Stock and equities	788,823	-	-	788,823
Real estate investment trust	-	105,520	-	105,520
Total	<u>\$ 1,514,554</u>	<u>\$ 158,064</u>	<u>\$ -</u>	<u>\$ 1,672,618</u>

Management evaluated the significant transfers between levels based upon the nature of the financial instrument and size of the transfer related to total net assets. There were no significant transfers in or out of levels 1, 2 or 3 for the years ended December 31, 2017 and 2016.

NOTE E - PROPERTY AND EQUIPMENT

Property and equipment activity consist of the following for the years ended December 31:

	2017	2016
Land	\$ 275,741	\$ 275,741
Leasehold improvements	3,217	3,217
Buildings	4,114,364	4,114,364
Vehicles	15,000	15,000
Computer and equipment	66,163	64,563
Furniture and fixtures	270,924	270,924
Construction in process	34,410	34,410
	<u>4,779,819</u>	<u>4,778,219</u>
Less accumulated depreciation	<u>(1,299,234)</u>	<u>(1,183,283)</u>
	<u>\$ 3,480,585</u>	<u>\$ 3,594,936</u>

Depreciation expense is \$115,951 and \$118,016 for the years ending December 31, 2017 and 2016, respectively.



PET HELPERS, INC.  
CONSOLIDATED NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017 AND 2016

NOTE F - NOTES PAYABLE

Long-term debt consists of the following at December 31:

	2017	2016
Mortgage note payable to bank in monthly installments of \$12,261, including interest at the one month LIBOR rate + 2.75%. At December 31, 2017 and 2016, the interest rate was 3.398% and 3.178%, respectively. The note is due May 2022 as a balloon payment, secured by the Organization's land and building.	\$ 1,585,904	\$ 1,669,063
Less: current portion	(102,165)	(99,186)
Long-term debt, less current portion	\$ 1,483,739	\$ 1,569,877

Future maturities of long-term debt are as follows as of December 31:

2018	\$ 102,165
2019	105,233
2020	108,394
2021	108,394
2022	1,161,718
	\$ 1,585,904

Total interest expense paid by the Organization for years ending December 31, 2017 and 2016 was \$62,611 and \$56,326, respectively.

NOTE G - COMPENSATED ABSENCES

The Organization allows full time employees to earn personal leave benefits, computed on a schedule that permits a maximum accrual of no more than 15 days in total. Employees are encouraged to use personal leave in the year earned and may carry over a maximum of 10 days. The Organization has accrued a liability at December 31, 2017 and 2016 of \$0 and \$9,926, respectively.

NOTE H - ADVERTISING

Cost of promotions and advertising are expensed as incurred. Advertising and promotion expense total \$20,017 and \$44,090 for the years ended December 31, 2017 and 2016, respectively.

PET HELPERS, INC.  
CONSOLIDATED NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017 AND 2016

NOTE I - NET ASSETS, RESTRICTIONS AND RELEASED FROM RESTRICTION

Temporarily restricted net assets are available for the new building campaign in the amount of \$634,638 at December 31, 2017 and 2016.

There were no permanently restricted net assets as of December 31, 2017 and 2016.

Net assets released from donor restrictions during 2017 and 2016 by incurring the expense satisfying the purpose or by the occurrence of other events specified by the donors. There were no net assets released during 2017 or 2016.

NOTE J - CONCENTRATIONS OF CREDIT RISK

The Organization maintains its cash balances with a financial institution. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 for the years ended December 31, 2017 and 2016. The Organization's deposits over the FDIC limits are secured by bank pledged assets. At December 31, 2017 and 2016, there was \$0 and \$15,738 uninsured or uncollateralized cash balances, respectively. The accounts with brokerage firms are investment funds are insurance in accordance with the Securities Investor Protection Corporation (SIPC). The initial \$500,000 of invested funds (including cash account up to \$250,000) is covered by the SIPC. As these are investments, the insurance is not for losses due to market fluctuations. Credit risk of promises to give is concentrated as well because substantially all of the balance is from one primary donor.

NOTE K - CONTINGENCIES

The Organization participates in and receives funds from a local bingo hall. The scheduled bingo nights are held in their name. Employees for the Organization and bingo hall are reported under the Organization's employer identification number for payroll and workman's compensation insurance. Funds the Organization receives are a percentage of monies collected by the SC Department of Revenue on the sale of bingo cards and a percentage from net earnings of the bingo hall.

NOTE L - RELATED PARTIES

During the years ended December 31, 2017 and 2016, the board of directors and staff members provided funding to the Organization in the form of cash and stock in the amounts of \$73,438 and \$63,472, respectively.

A board member is an officer of the bank who provided a loan valued at \$1,585,904 and \$1,669,063 as of December 31, 2017 and 2016. This board member left part of the way through 2017.

A board member is the owner of a veterinary care clinic that the Organization used for services during the year. Amounts paid for the year ended December 31, 2017 was \$28,269. As of December 31, 2017 \$3,438 was owed to the clinic.

The Organization owns 100% Animal Helpers ReTail Resale Store, LLC. One of the board members of the Organization also services on the board of the retail store.

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NOTE L - RELATED PARTIES - Continued

The bookkeeper's daughter worked with the donor database management system during the years ended December 31, 2017 and 2016.

NOTE M - SUBSEQUENT EVENTS

Management has evaluated subsequent events through the report date, and has concluded no significant subsequent events meet the criteria of professional accounting standards to be recognized or not recognized, but disclosed, in these consolidated financial statements.