

HALO - Helping Animals Live On, Inc.  
Financial Statements  
December 31, 2017

HALO - Helping Animals Live On, Inc.  
Index to the Financial Statements  
December 31, 2017

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<u>Description</u>	<u>Page Number</u>
Independent Auditor's Report	1 – 2
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to the Financial Statements	7 – 12



**VAVRINEK, TRINE, DAY & CO., LLP**

Certified Public Accountants

VALUE THE *difference*

## Independent Auditor's Report

To the Board of Directors  
HALO - Helping Animals Live On, Inc.  
Phoenix, Arizona

We have audited the accompanying financial statements of HALO - Helping Animals Live On, Inc., which comprise the statement of financial position as of December 31, 2017, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's 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 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 financial position of HALO- Helping Animals Live On, Inc. as of December 31, 2017, and the changes in net assets, functional expenses, and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*Vavrinik, Trine, Day & Co. LLP*

Phoenix, Arizona  
October 24, 2018

HALO - Helping Animals Live On, Inc.  
Statement of Financial Position  
December 31, 2017

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Assets

Cash and cash equivalents	\$ 805,210
Pet food	14,635
Adoption supplies	16,358
Thrift store items	29,394
Prepaid expenses	22,743
Property and equipment, net	<u>407,368</u>
 Total Assets	 <u><u>\$ 1,295,708</u></u>

Liabilities and Net Assets

Liabilities:	
Accounts payable and accrued expenses	\$ 51,126
 Net Assets:	
Unrestricted	1,244,582
Temporarily restricted	<u>-</u>
 Total Net Assets	 <u>1,244,582</u>
 Total Liabilities and Net Assets	 <u><u>\$ 1,295,708</u></u>

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

HALO - Helping Animals Live On, Inc.  
Statement of Activities  
For the Year Ended December 31, 2017

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	Unrestricted	Temporarily Restricted	Total 2017
<b>Public Support and Revenue:</b>			
Donations, contracts, and grants	\$ 1,497,170	\$ -	\$ 1,497,170
Adoption fees	890,052	-	890,052
In-kind donations	369,429	-	369,429
Store Sales	161,764	-	161,764
Net assets released from restrictions	39,495	(39,495)	-
Total Public Support and Revenue	2,957,910	(39,495)	2,918,415
<b>Expenses:</b>			
Program services	2,433,184	-	2,433,184
Management and general	59,772	-	59,772
Fundraising	369,190	-	369,190
Total Expenses	2,862,146	-	2,862,146
Change in Net Assets	95,764	(39,495)	56,269
Net Assets, Beginning of Year	1,148,818	39,495	1,188,313
Net Assets, End of Year	\$ 1,244,582	\$ -	\$ 1,244,582

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

HALO - Helping Animals Live On, Inc.  
Statement of Functional Expenses  
For the Year Ended December 31, 2017

	<u>Program Services</u>	<u>Support Services</u>	<u>Fundraising Services</u>	<u>Total 2017</u>
<b>Personnel Costs:</b>				
Salaries, wages and payroll taxes	\$ 1,143,956	\$ 37,713	\$ 75,426	\$ 1,257,095
Employee benefits	121,752	4,865	11,299	137,916
<b>Total Personnel Costs</b>	<b>1,265,708</b>	<b>42,578</b>	<b>86,725</b>	<b>1,395,011</b>
<b>Other Expenses:</b>				
Accounting	9,250	6,475	2,775	18,500
Animal adoption fees	115,758	-	-	115,758
Animal food and supplies	160,868	-	-	160,868
Company insurance	18,482	812	1,385	20,679
Consulting and professional fees	103	923	-	1,026
Depreciation and amortization	66,790	1,619	2,000	70,409
Direct mail	-	-	231,380	231,380
Donor development	-	-	19,026	19,026
Merchant fees	12,990	-	2,789	15,779
Miscellaneous expense	15,235	1,452	631	17,318
Office supplies and periodicals	22,251	803	1,233	24,287
Other veterinarian care	41,546	-	-	41,546
Printing	1,600	-	-	1,600
Processing fees	-	-	8,231	8,231
Promotions	12,786	-	2,795	15,581
Sterilization	112,342	-	-	112,342
Telephone and internet	4,345	-	-	4,345
Rent	70,037	1,599	3,199	74,835
Utilities	53,792	944	1,887	56,623
Vehicle and travel	25,912	-	-	25,912
Volunteer foster services	5,466	-	-	5,466
Workers compensation	51,137	1,686	3,372	56,195
<b>Total Other Expenses</b>	<b>800,690</b>	<b>16,313</b>	<b>280,703</b>	<b>1,097,706</b>
<b>In-Kind Expenses:</b>				
Pet food and supplies	103,207	-	-	103,207
Thrift store	127,652	-	-	127,652
Rent	135,927	881	1,762	138,570
<b>Total In-Kind Expenses</b>	<b>366,786</b>	<b>881</b>	<b>1,762</b>	<b>369,429</b>
<b>Total Expenses</b>	<b>\$ 2,433,184</b>	<b>\$ 59,772</b>	<b>\$ 369,190</b>	<b>\$ 2,862,146</b>

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

HALO - Helping Animals Live On, Inc.  
Statement of Cash Flows  
For the Year Ended December 31, 2017

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Cash Flows from Operating Activities:	
Change in Net Assets	\$ 56,269
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided by Operating Activities:	
Depreciation and amortization	70,409
Loss on disposal of assets	3,469
Decrease in accounts receivable	68,235
Decrease in pet food	34,303
Decrease in adoption supplies	8,409
(Increase) in thrift store items	(2,473)
Decrease in prepaid expenses	27,144
(Decrease) in accounts payable and accrued expenses	<u>(94,114)</u>
Net Cash Provided by Operating Activities	171,651
Cash Flows from Investing Activities:	
Purchases of fixed assets	(366,432)
Net Cash Used by Investing Activities	<u>(366,432)</u>
Net Decrease in Cash and Cash Equivalents	(194,781)
Cash and Cash Equivalents, Beginning of Year	<u>999,991</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 805,210</u></u>

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



HALO - Helping Animals Live On, Inc.  
Notes to the Financial Statements  
December 31, 2017

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1. Organization:

HALO - Helping Animals Live On, Inc. (the Organization) is an Arizona non-profit organization whose primary mission is to help end the pet overpopulation by rescuing animals, such as dogs and cats, and providing temporary shelter to abandoned animals until a permanent home can be found. The Organization helps control the pet overpopulation by spaying or neutering all their adopted animals.

The Organization derives a portion of its financial support from the operation of its thrift store. Donations are picked up by the Organization and brought to the store to be sorted. Items determined to be in good condition are placed for sale in the store. Other primary financial support is derived through donor contributions, contracts, grants and adoption/sterilization fees.

2. Summary of Significant Accounting Policies and Use of Estimates:

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States.

Basis of Presentation

The financial statement presentation is in accordance with the Financial Accounting Standards Board (FASB) guidance on *Financial Statements of Not-for-Profit Organizations*. Under this guidance, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Organization has no permanently restricted net assets.

Cash and Cash Equivalents

For purposes of reporting, cash and cash equivalents include short-term liquid assets that are easily convertible to known amounts of cash and have insignificant credit risk. Cash received with donor stipulations limiting its use to long-term purposes is shown as restricted. There is no restricted cash at December 31, 2017.

Accounts Receivable

Accounts receivable for services performed are reported at the amount management expects to collect on balances outstanding at year-end. The Organization does not normally require collateral. Management closely monitors outstanding balances and writes off, as of year-end, all balances that have not been collected by the time the financial statements are issued. Receivables are considered delinquent when past due over a period of three to six months. No allowance has been established, as management believes all amounts to be collectible.

This information is an integral part of the accompanying financial statements.

HALO - Helping Animals Live On, Inc.  
Notes to the Financial Statements  
December 31, 2017

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2. Summary of Significant Accounting Policies and Use of Estimates (Continued):

Unconditional Promises to Give

Grant income is recognized when the grantor makes a promise to give to the Organization that is, in substance, unconditional. Grant income that is restricted by the grantor is reported as an increase in temporarily restricted net assets depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. Unconditional promises to give expected to be collected in less than one year are measured at net realizable value. Long-term unconditional promises to give expected to be collected are measured using present value of future cash flows.

The Organization uses the allowance method to determine uncollectible unconditional promises to give. The allowance is based on management's analysis of specific promises made. There are no promises to give outstanding at year-end.

Inventory

Inventory, which consists of donated clothing, household goods and various other items, is held for sale at the thrift store. Since there is no cost to the Organization, inventory is recorded at fair value determined by the price at which the item can be sold. Revenue is recognized when the donated items are sold and in-kind donations are recorded at an amount equal to the sales revenue from the thrift store. Changes in year-end inventory amounts are recorded as additional sales revenue or cost of goods sold, as appropriate.

Property and Equipment

Property and equipment is recorded at cost or, if donated, at the approximate fair value at the date of donation. The Organization's policy is to capitalize asset purchases generally in excess of \$500. Depreciation is computed using the straight line method over the estimated useful lives of the assets. Expenditures for maintenance and repairs are charged to expense as incurred.

Revenue Recognition

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted net assets, depending on the existence and/or nature of any donor restrictions. Contributions restricted by the donor are reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the contribution is recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restriction. 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 statement of activities as net assets released from restrictions.

Fee income is recognized in the period in which the service is performed.

Store sales are recognized as income on the day the sale occurs.

This information is an integral part of the accompanying financial statements.

HALO - Helping Animals Live On, Inc.  
Notes to the Financial Statements  
December 31, 2017

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2. Summary of Significant Accounting Policies and Use of Estimates (Continued):

Donated Assets and Services

Donated assets and services are considered to be available for unrestricted use unless specifically restricted by the donor. Donated assets consist of vehicles, services, and facilities. The donations are recorded at their estimated fair value at the date of donation and are included in revenues and expenses or capitalized if appropriate. Volunteers also provide services throughout the year that are not recognized as contributions in the financial statements since the recognition criteria were not met.

Expense Allocation

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

Income Taxes

The Organization is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation.

The Organization adopted guidance issued by the FASB which established a single model to address accounting for uncertain tax positions and clarified the accounting for income taxes by prescribing a minimum threshold a tax position is required to meet before being recognized in the financial statements. An uncertain tax position represents a tax position management determines may have a less than 50 percent chance of being sustained upon an examination by a taxing authority.

While the Organization does not currently include an income tax provision in the financial statements, management monitors the reporting of uncertain tax positions used in preparation of the Organization's tax return, including applicable interest and penalties related to material uncertain tax positions, which could result in recording of an income tax provision in the future. The Organization evaluated its tax position for all open tax years. Currently, the tax years open and subject to examination are the 2014, 2015 and 2016 tax years by the Internal Revenue Service and the 2013, 2014, 2015 and 2016 tax years by the Arizona Department of Revenue.

Uses of Estimates

As applicable, management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States. Those estimates and assumptions can affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

Date of Management's Review

Subsequent events have been evaluated through the date of the auditors' report, which is the date the financial statements were available to be issued.

This information is an integral part of the accompanying financial statements.

HALO - Helping Animals Live On, Inc.  
Notes to the Financial Statements  
December 31, 2017

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3. Concentrated Credit Risk:

The Organization maintains its available cash at various financial institutions. The Organization's interest bearing funds are insured by the Federal Deposit Institution Corporation up to \$250,000. At various times, the balances in these accounts may exceed federally insured limits. The Organization has not experienced any losses and does not believe it is exposed to significant risk associated with its cash and cash equivalents.

4. Property and Equipment:

At December 31, property and equipment consists of the following:

Vehicles	\$ 110,808
Furniture, fixtures, and equipment	122,918
Leasehold improvements	329,031
Software	11,418
Website	13,969
	<u>588,144</u>
Less: accumulated depreciation	<u>(180,776)</u>
Total	<u>\$ 407,368</u>

Depreciation expense is \$70,409 for the year ending December 31, 2017.

5. Operating Leases:

During January 2013, the Organization entered into an operating lease for the shelter space at Maricopa County Animal Care and Control. This lease terminated April 2017. An in-kind donation of rent totaling \$29,371 is recorded for 2017.

During 2012, The Organization began utilizing space to run their adoption program under an agreement with PetSmart Charities, Inc. within a PetSmart retail store without any charge for rent. An in-kind donation of rent totaling \$34,398 is recorded for 2017.

During 2017, The Organization began utilizing additional space to run their adoption program under an agreement with PetSmart Charities, Inc. within another PetSmart retail store without any charge for rent. An in-kind donation of rent totaling \$31,532 is recorded for 2017.

During May 2014, the Organization entered into an operating lease for a shelter space at Metro-Center Mall. The lease expired April 2017 with the Organization renewing the lease which terminates April 2018. The lease requires payments totaling \$43,269. The Organization renewed the lease which terminates April 2018. Of that \$43,269, an in-kind donation of rent totaling \$43,269 is recorded for 2017.

This information is an integral part of the accompanying financial statements.

HALO - Helping Animals Live On, Inc.  
Notes to the Financial Statements  
December 31, 2017

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5. Operating Leases (Continued):

During 2017, the Organization executed non-cancelable operating leases with respect to office spaces through February 2024. Approximate minimum annual payments under the non-cancelable leases at December 31, 2017 are as follows:

<u>Year ending December 31,</u>	<u>Amount</u>
2018	\$ 100,800
2019	98,399
2020	86,896
2021	89,046
2022	91,196
Thereafter	<u>124,879</u>
Total	<u><u>\$ 591,216</u></u>

Total rent paid for the year ended December 31, 2017 is \$210,100.

6. In-Kind Donations:

In-kind donations are as follows for 2017:

Pet food and litter - program services	\$ 103,207
Thrift store items - program services	127,652
Rent (see Note 5) - program services, management and general, and fundraising	<u>138,570</u>
Total	<u><u>\$ 369,429</u></u>

7. Other Concentrations and Risk:

The majority of store sales were from items donated by one donor for apparel, accessories, and home furnishings.

An unforeseen change of general economic conditions, particularly in Arizona, may adversely impact the Organization's ability to generate future unconditional promises to give and donations.

This information is an integral part of the accompanying financial statements.

HALO - Helping Animals Live On, Inc.  
Notes to the Financial Statements  
December 31, 2017

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8. Related Party Transactions:

The Organization's Chief Executive Officer (CEO) maintains a foster animal shelter on the property of her personal residence. The Organization pays the cost of insurance for the shelter and occasional incidental costs which may arise. The CEO personally absorbs all other costs associated with the shelter. The Organization paid approximately \$1,246 during 2017 for costs associated with the foster shelter.

Members of the Organization's Board of Directors provide various services to the Organization. The Organization paid approximately \$88,872 for these services during 2017.

This information is an integral part of the accompanying financial statements.