

**FIXNATION, INC.**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

# WASSERMAN SHUFF

*Certified Public Accountants*

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
FixNation, Inc.  
7680 Clybourn Ave.  
Los Angeles, CA 91352

### **Opinion**

We have audited the accompanying financial statements of FixNation, Inc (a nonprofit organization), which comprise the statement of assets, liabilities, and net assets—modified cash basis as of December 31, 2020, and the related statement of support, revenue, and expenses—modified cash basis for the year then ended, and the related notes to the financial statements.

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, 2020, and its support, revenue, and expenses for the year then ended in accordance with the modified cash basis of accounting.

### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of FixNation, Inc and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **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 this matter.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the modified cash basis of accounting, and for 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 Responsibilities for the Audit of the Financial Statements**

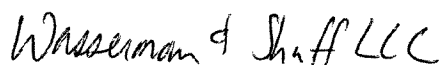
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance

and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 FixNation, Inc's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about FixNation, Inc's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

A handwritten signature in black ink that reads "Wasserman & Shuff LLC". The script is cursive and fluid, with the letters "W", "S", and "L" being particularly prominent.

Wasserman & Shuff, LLC

6/8/21

**FixNation, Inc**  
**Statement of Financial Position - Modified Cash Basis**  
**As of December 31, 2020**

	<u>2020</u>
<b><u>ASSETS</u></b>	
<b>Current Assets:</b>	
Cash and cash equivalents	\$ 1,738,032
Prepaid expenses	650
Total Current Assets	<u>1,738,682</u>
<b>Property and Equipment:</b>	
Property and equipment	466,866
Accumulated depreciation	<u>(376,455)</u>
Net Property and Equipment	90,411
<b>Other Assets:</b>	
Security deposit	<u>15,481</u>
Total Assets	<u><u>\$ 1,844,574</u></u>
<b><u>LIABILITIES AND NET ASSETS</u></b>	
<b>Current Liabilities:</b>	
Note payable	<u>\$ 100,054</u>
Total Current Liabilities	100,054
<b>Net Assets:</b>	
Without donor restrictions	1,740,087
With donor restrictions	<u>4,433</u>
Total Net Assets	<u>1,744,520</u>
Total Liabilities and Net Assets	<u><u>\$ 1,844,574</u></u>

See Independent Auditors' Report and Accompanying Notes.

**FixNation, Inc.**  
**Statement of Activities and Net Assets - Modified Cash Basis**  
**For the Year Ended December 31, 2020**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>Revenue and Support</b>			
Fees	\$ 488,928	\$ -	\$ 488,928
Donations	259,948	-	259,948
Grants and foundations	840,122	-	840,122
Other	76,106	-	76,106
Total Revenue and Support	<u>1,665,104</u>	<u>-</u>	<u>1,665,104</u>
<b>Net Assets Released from Restriction</b>	20,567	(20,567)	-
<b>Expenses:</b>			
Program	1,150,658	-	1,150,658
Fundraising	61,846	-	61,846
General and administrative	108,497	-	108,497
Total Expenses	<u>1,321,001</u>	<u>-</u>	<u>1,321,001</u>
Change in net assets	364,670	(20,567)	344,103
<b>Net Assets Beginning of Year</b>	<u>1,375,417</u>	<u>25,000</u>	<u>1,400,417</u>
<b>Net Assets End of Year</b>	<u><u>\$ 1,740,087</u></u>	<u><u>\$ 4,433</u></u>	<u><u>\$ 1,744,520</u></u>

See Independent Auditors' Report and Accompanying Notes.

**FixNation, Inc.**  
**Statement of Cash Flows - Modified Cash Basis**  
**For the Year Ended December 31, 2020**

	<u>2020</u>
<b>Cash flows from operating activities:</b>	
Change in net assets	\$ 344,103
<b>Adjustments to reconcile change in net assets</b>	
<b>to cash provided by (used for) operating activities:</b>	
Depreciation and amortization	35,858
Change in prepaid expenses	<u>(421)</u>
<b>Net cash provided by operating activities</b>	<u>379,540</u>
<b>Cash flows from investing activities:</b>	
Investment in equipment	<u>(16,342)</u>
<b>Net cash used in investment activities</b>	<u>(16,342)</u>
<b>Cash flows from financing activities:</b>	
Proceeds from note payable	<u>100,054</u>
<b>Net cash provided by financing activities</b>	<u>100,054</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	463,252
<b>Cash and cash equivalents, beginning of year</b>	<u>1,274,780</u>
<b>Cash and cash equivalents, end of year</b>	<u><u>\$ 1,738,032</u></u>

See Independent Auditors' Report and Accompanying Notes.

**FixNation, Inc.**  
**Statement of Functional Expenses - Modified Cash Basis**  
**For the Year Ended December 31, 2020**

		Management		
	Program	And General	Fundraising	Total
Salaries and wages	\$ 383,244	\$ 31,875	\$ 21,250	\$ 436,369
Employee benefits	41,394	1,444	963	43,801
Payroll taxes	28,614	2,435	1,624	32,673
Unemployment insurance	6,031	7	-	6,038
Workers compensation	6,742	4,045	2,697	13,484
Legal and professional	240,864	41,905	22,029	304,798
Bank fees	300	7,920	-	8,220
Office expenses	4,347	-	68	4,415
Surgical supplies	246,453	-	-	246,453
Kitchen supplies	1,120	-	1,191	2,311
Cremation service	491	-	-	491
Telephone	5,029	3,017	2,012	10,058
Postage and shipping	844	592	287	1,723
Rent expense	72,593	12,809	-	85,402
Utilities	11,552	-	-	11,552
Insurance	9,832	1,816	1,211	12,859
Trash removal	6,218	-	-	6,218
Maintenance and repair	4,580	-	-	4,580
Equipment	5,990	-	-	5,990
Storage	21,674	-	-	21,674
Printing	8,483	-	-	8,483
Advertising	24	-	-	24
Staff travel	9	40	-	49
Vehicle expense	2,420	-	-	2,420
Staff training	240	-	-	240
Food and meeting expense	2,662	64	3,194	5,920
Fund raising	-	-	5,320	5,320
Dues and subscriptions	323	170	-	493
Donations	-	358	-	358
ASPCA cat center	2,831	-	-	2,831
Miscellaneous	(104)	-	-	(104)
Depreciation	35,858	-	-	35,858
<b>Total Functional Expenses</b>	<b>\$ 1,150,658</b>	<b>\$ 108,497</b>	<b>\$ 61,846</b>	<b>\$ 1,321,001</b>

See Independent Auditors' Report and Accompanying Notes.

**FixNation, Inc.**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2020**

**A. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Nature of Business***

FixNation, Inc. (the Organization) is incorporated in California as a nonprofit, tax exempt 501(c)(3) public benefits 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.

The Spay and Neuter Clinic operated by 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.

The Organization also operates a Dog and Cat Vaccine and Microchip Clinic.

A summary of significant accounting policies follows:

***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.

***Financial Statement Presentation***

The Organization follows ASU 2016-14, which requires that net assets be presented as with or without donor restrictions, rather than as unrestricted, temporarily restricted, or permanently restricted.

Without donor restrictions – Net assets that generally result from revenues from providing services, receiving unrestricted contributions, and receiving dividends or interest from investing in income producing assets, less expenses incurred in providing services, 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 – Net assets resulting from contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations, from other asset enhancements and diminishments subject to the same kinds of stipulations, and 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.



**FixNation, Inc.**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2020**

**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***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 reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

***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, 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 are reported as unrestricted support unless donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with restrictions that specify how the assets are to be used are reported as restricted support.

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

***Cash and Cash Equivalents***

For purposes of the statements of financial position and statements of cash flows, the Organization considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

***Exempt Status***

The Organization is exempt from federal income taxes under Internal Revenue Code 501(c)(3) as a public charity and not a private foundation. The Organization is also exempt from state income tax. However, income from certain activities not directly related to the Organization's tax-exempt purpose may be subject to taxation as unrelated business income.

The Organization's income tax filings are subject to audit by various taxing authorities. Open periods subject to audit for federal and state purposes are generally the previous three and four years of tax returns filed, respectively. Any interest or penalties assessed to the Organization are recorded as operating expenses; however, there were no interest or penalties for the year ended December 31, 2020.

**FixNation, Inc.**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2020**

**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***Concentration of Credit Risk***

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash and pledges receivable. Non-interest bearing accounts are fully insured by the Federal Deposit Insurance Corporation. The Organization maintains its cash balances at two financial institutions. As of December 31, 2020, the Organization had \$280,767 in uninsured cash balances.

The Organization also has \$1,206,663 in a savings account held by a brokerage company. The uninsured balance in this account at December 31, 2020 was \$956,663.

Management has determined that the risk involved with uninsured balances is minimal, due to the financial stability of the institutions that hold the funds.

***Fair Value Measurements***

FASB ASC 820-10-50, Disclosure about Fair Value of Financial Instruments, requires disclosures of fair value information about financial instruments.

The carrying amounts reported in the statement of financial position for cash and cash equivalents, approximate fair value as of December 31, 2020.

***Prepaid Expenses***

Prepaid expenses consist of expenditures paid or incurred during the current year to support the following year's activities.

***Property and Equipment***

The Organization's policy is to capitalize all tangible assets which separately or in the aggregate have an acquisition cost of \$5,000 or greater. Property and equipment is stated at cost if purchased or fair market value at the date of the gift, if donated. Depreciation is provided on the straight-line and accelerated methods over the estimated useful lives of the assets. Depreciable lives range from five to seven years. Maintenance and repair costs are charged to expense 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 changes in net assets.

***Impairment of Long-Lived Assets***

The Organization reviews long-lived assets, including property and equipment and intangible assets, for impairment whenever events or changes in business circumstances indicate that the carrying amount of an asset may not be fully recoverable. An impairment loss would be recognized when the estimated future cash flows from the use of the asset are less than the carrying amount of that asset. To date, there have been no such losses.

***Advertising***

The Organization expenses advertising costs when they are incurred. No amounts have been capitalized or are being amortized to future periods.

**FixNation, Inc.**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2020**

**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***Expense Allocation***

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Expenses that can be directly attributed to a program or support function are charged to that program or function.

***Subsequent Events***

Management has evaluated subsequent events through June 4, 2021, the date on which the financial statements were available to be issued. The Organization has no responsibility to update these financial statements for events and circumstances occurring after this date.

In March 2021, the Organization received a second SBA Paycheck Protection Program (PPP) loan in the amount of \$98,732. The Organization expects this loan to eventually be forgiven under the terms of the CARES Act.

**B. CASH AND CASH EQUIVALENTS**

Cash as of December 31, 2020 consisted of the following:

	2020
Checking and Petty Cash accounts with interest rates ranging from 0.00% to 0.10%	\$ 1,738,032
Total	\$ 1,738,032

**C. PROPERTY AND EQUIPMENT**

The major categories of property and equipment as of December 31, 2020 are summarized as follows:

	2020
Leasehold improvements	\$ 263,893
Equipment	202,973
Less: accumulated depreciation	(376,455)
Total	\$ 90,411

**FixNation, Inc.**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2020**

**D. NOTE PAYABLE**

During 2020, the Organization received a Paycheck Protection Program (PPP) SBA loan, in the amount of \$100,054. The note bears interest at 1% annually. The note is due in 2 years from the loan date of May 3, 2020. As the Organization expects this note to be forgiven under terms of the CARES Act, it is classified as a current liability. No payments have been required and interest has not been accrued.

**E. LEASE OBLIGATION**

The Organization leases a facility under a month-to-month agreement. Lease expense for the year ended December 31, 2020 was \$72, 583.

The Organization also sublets portions of the facility to two other entities. The sublease agreements extend through May of 2024. Income received from the subleases in 2020 was \$59,983.

**F. RISK MANAGEMENT**

The Organization is exposed to various risks of loss or liability related to torts; theft of, damage to and destruction of assets; errors and omissions; employment practices; and natural disasters for which the Organization carries commercial insurance.

There were no claims or settlements for the year ended December 31, 2020.

**G. CONCENTRATIONS**

The Organization is not dependent on any single donor, event, or funding source for operating revenues.

**H. RESTRICTED CONTRIBUTIONS**

Restricted promises of support are included in the financial statements as revenue in the net asset with donor-imposed restrictions category when received. Restricted contributions received during 2020 were expended for the program services pertaining to the Organization's mission, as follows:

<u>2020</u>	
Program operations and equipment	<u>\$ 20,567</u>

**FixNation, Inc.**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2020**

**I. ACCOUNTING FOR UNCERTAINTY IN INCOME TAXES**

The Organization follows current guidance relating to the accounting for uncertainty in income taxes. The tax effects from an uncertain tax position can be recognized in the financial statements, only if the position is more likely than not to be sustained on audit, based on the technical merits of the position. The Organization recognizes in the financial statements the benefit of a tax position only after determining that the relevant tax authority would more likely than not sustain the position following an audit. For tax positions meeting the more likely than not threshold, the amount recognized in the financial statements is the largest benefit that has a greater than 50 percent likelihood of being realized, upon ultimate settlement with the relevant tax authority.

It is the Organization's policy to recognize interest and penalties related to unrecognized tax benefits in income tax expense. The Organization is no longer subject to U.S. federal income tax examinations by tax authorities for the years ended prior to January 1, 2018. The Organization is not currently under examination by any taxing authority.

**J. FINANCIAL ASSET LIQUIDITY**

The Organization's liquidity goal is to have sufficient assets available to meet operational expenditures for a 12-month period. The primary forms of funds available are cash and expected collections of accounts receivable. Management regularly reviews the liquidity required to meet operational expenditures.

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

	<u>2020</u>
Cash and cash equivalents	<u>\$ 1,738,032</u>

**K. RELATED PARTY TRANSACTIONS**

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 met.

A board member provides community outreach services to the Organization as the needs of the Organization dictate. For the year ended December 31, 2020, these services amounted to \$6,200.