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INDEPENDENT AUDITOR’S REPORT

To the Board of Directors of
All About Animals Rescue, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of All About Animals Rescue, Inc., which comprise
the statement of financial position as of December 31, 2017, and the related statements of activities and
changes in net assets, 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.
Auditor’s Responsibility (Continued)

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 All About Animals Rescue, 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.

Troy, Michigan
March 21, 2018
# Assets

Current assets:
- Cash and cash equivalents (note 4) $1,317,319

Property and equipment:
- At cost, less accumulated depreciation of $753,747 (notes 2 and 4) 1,397,934

Other assets:
- Security deposits 2,450

| Total assets | $2,717,703 |

# Liabilities and Net Assets

Current liabilities:
- Accounts payable $19,158
- Accrued liabilities 91,396
- Current portion of long-term debt (note 4) 22,110

| Total current liabilities | 132,664 |

Long-term debt (note 4) 392,804

Net assets:
- Unrestricted 2,117,235
- Temporarily restricted 75,000

| Total net assets | 2,192,235 |

| Total liabilities and net assets | $2,717,703 |
### Revenue and support from operations:
- Clinic and wellness: $3,583,202
- Public contributions and support: $430,850
- Interest and other revenue: $1,789

**Total revenue and support from operations**: $4,015,841

### Functional expenses:
- Program services: $2,962,852
- Supporting services: $419,826
- Fundraising: $23,622

**Total functional expenses**: $3,406,300

### Other changes in unrestricted net assets:
- Net assets released from restriction: $161,300

**Increase in unrestricted net assets**: $770,841

### Changes in temporarily restricted net assets:
- Net assets released from restriction: $(161,300)
- Net assets contributed - grant revenue: $236,300

**Increase in temporarily restricted net assets**: $75,000

**Net increase in net assets**: $845,841

### Net assets - January 1, 2017

**Net assets - December 31, 2017**: $2,192,235

See accompanying notes to financial statements
ALL ABOUT ANIMALS RESCUE, INC.

STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2017

<table>
<thead>
<tr>
<th></th>
<th>Program Services</th>
<th>Supporting Services</th>
<th>Fundraising</th>
<th>Total Functional Expenses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Advertising</td>
<td>$ -</td>
<td>$ 4,899</td>
<td>$ -</td>
<td>$ 4,899</td>
</tr>
<tr>
<td>Banking and credit card fees</td>
<td>-</td>
<td>33,084</td>
<td>-</td>
<td>33,084</td>
</tr>
<tr>
<td>Conferences and conventions</td>
<td>-</td>
<td>8,352</td>
<td>-</td>
<td>8,352</td>
</tr>
<tr>
<td>Depreciation</td>
<td>56,945</td>
<td>7,038</td>
<td>-</td>
<td>63,983</td>
</tr>
<tr>
<td>Information technology</td>
<td>11,827</td>
<td>1,675</td>
<td>1,721</td>
<td>15,223</td>
</tr>
<tr>
<td>Insurance</td>
<td>36,991</td>
<td>4,572</td>
<td>-</td>
<td>41,563</td>
</tr>
<tr>
<td>Interest</td>
<td>-</td>
<td>15,983</td>
<td>-</td>
<td>15,983</td>
</tr>
<tr>
<td>Licenses and permits</td>
<td>8,550</td>
<td>-</td>
<td>-</td>
<td>8,550</td>
</tr>
<tr>
<td>Maintenance and repairs</td>
<td>111,804</td>
<td>13,818</td>
<td>-</td>
<td>125,622</td>
</tr>
<tr>
<td>Meetings, luncheons and dinners</td>
<td>2,030</td>
<td>-</td>
<td>-</td>
<td>2,030</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>-</td>
<td>600</td>
<td>13,170</td>
<td>13,770</td>
</tr>
<tr>
<td>Payroll processing</td>
<td>6,323</td>
<td>781</td>
<td>-</td>
<td>7,104</td>
</tr>
<tr>
<td>Payroll taxes</td>
<td>112,436</td>
<td>13,897</td>
<td>-</td>
<td>126,333</td>
</tr>
<tr>
<td>Printing and postage</td>
<td>9,340</td>
<td>2,233</td>
<td>8,731</td>
<td>20,304</td>
</tr>
<tr>
<td>Professional fees</td>
<td>150,623</td>
<td>10,150</td>
<td>-</td>
<td>160,773</td>
</tr>
<tr>
<td>Recruiting</td>
<td>349</td>
<td>43</td>
<td>-</td>
<td>392</td>
</tr>
<tr>
<td>Salaries and fringes</td>
<td>1,372,441</td>
<td>169,628</td>
<td>-</td>
<td>1,542,069</td>
</tr>
<tr>
<td>Security</td>
<td>6,509</td>
<td>-</td>
<td>-</td>
<td>6,509</td>
</tr>
<tr>
<td>Space rental</td>
<td>26,655</td>
<td>3,295</td>
<td>-</td>
<td>29,950</td>
</tr>
<tr>
<td>Supplies</td>
<td>970,804</td>
<td>119,987</td>
<td>-</td>
<td>1,090,791</td>
</tr>
<tr>
<td>Telephone</td>
<td>10,706</td>
<td>1,323</td>
<td>-</td>
<td>12,029</td>
</tr>
<tr>
<td>Travel</td>
<td>14,178</td>
<td>1,752</td>
<td>-</td>
<td>15,930</td>
</tr>
<tr>
<td>Utilities</td>
<td>54,341</td>
<td>6,716</td>
<td>-</td>
<td>61,057</td>
</tr>
</tbody>
</table>

Total functional expenses $ 2,962,852 $ 419,826 $ 23,622 $ 3,406,300

See accompanying notes to financial statements
ALL ABOUT ANIMALS RESCUE, INC.

STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2017

Cash flows from operating activities:

Increase in net assets $845,841

Adjustments:

Depreciation 63,983

Changes in assets and liabilities:

Decrease in prepaid expenses 1,100
Decrease in accounts payable (82,353)
Increase in accrued liabilities 7,764

Total adjustments (9,506)

Net cash provided from operating activities 836,335

Cash flows from investing activities:

Acquisition of property and equipment (809,098)

Cash flows from financing activities:

Repayment of long-term debt (16,556)

Net increase in cash and cash equivalents 10,681

Cash and cash equivalents - January 1, 2017 1,306,638

Cash and cash equivalents - December 31, 2017 $1,317,319

Schedule of Noncash Investing and Financing Activities

Property and equipment acquired through issuance of long-term debt $285,000

See accompanying notes to financial statements
Note 1 - Nature of Activities and Significant Accounting Policies

Nature of Activities

All About Animals Rescue, Inc. (AAAR or “the Organization”) is a non-profit animal welfare group. They are dedicated to the goal of no more homeless pets in the State of Michigan. AAAR does this by promoting and providing adoption, spay/neuter and wellness programs in Auburn Hills, Detroit, Flint, and Warren, Michigan.

Basis of Presentation

All About Animals Rescue, Inc. has adopted generally accepted accounting principles. Under these standards, net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of All About Animals Rescue, Inc. and changes therein are classified and reported as follows:

Unrestricted Net Assets

Net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets

Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or the passage of time. Contributions received with donor-imposed restrictions that are met in the same year as received are reported as revenues of the unrestricted net assets.

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash equivalents include highly liquid debt instruments with original maturities of three months or less. AAAR places its temporary cash investments with high credit quality financial institutions. Total cash balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000 per bank. As of December 31, 2017, the Organization had deposits in excess of FDIC coverage of approximately $1,113,000.
Note 1 - Nature of Activities and Significant Accounting Policies (Continued)

Accounts Receivable

Accounts receivable are carried at customer invoice amounts. An allowance for doubtful accounts is established based on a specific assessment of all invoices that remain unpaid following normal customer payment periods. Amounts deemed uncollectible are written-off in the period that determination is made. Based upon review of its receivables at December 31, 2017, the Organization does not deem an allowance for doubtful accounts necessary.

Property and Equipment

Depreciation is provided over the estimated useful lives of the assets on the straight-line method. Donated equipment is stated at cost or approximate fair value at the date of donation.

Contributions

Contributions of cash and other assets, including unconditional promises to give in the future, are reported as revenue when received and measured at fair value. Program services and fundraising revenues are recognized when an event has occurred and collection is likely.

Allocation of Functional Expenses

In the statement of functional expenses, salaries and related expenses are allocated to program services and supporting services on the basis of the actual or estimated time devoted to those activities. Other expenses have been allocated using various bases as determined by management.

Expenses reported under program services represent the cost of providing adoptions, spay/neuter and wellness. Expenses reported under supporting services include costs relating to the operations of the Organization, general recordkeeping, accounting, general board activities, fundraising and other related costs.

Advertising

The Organization records advertising expenses as they are incurred. Advertising costs for the year ended December 31, 2017 amounted to $4,899.
Note 1 - Nature of Activities and Significant Accounting Policies (Continued)

Income Taxes

AAAR is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code.

Generally accepted accounting principles clarify the accounting and recognition for income tax positions taken or expected to be taken in the Organization’s income tax returns. The Organization’s income tax filings are subject to audit by various taxing authorities. The Organization’s open audit periods are 2014 - 2017.

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 disclosure 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.

Subsequent Events

The financial statements and related disclosures include evaluation of events up through and including March 21, 2018, which is the date the financial statements were available to be issued.
Note 2 - Property and Equipment

The principal categories of property and equipment as of December 31, 2017 may be summarized as follows:

| Land, building and building improvements | $ 1,505,012 |
| Furniture, fixtures and equipment       | 225,239     |
| Vehicles                                | 421,430     |
| **Total**                               | **2,151,681** |

Less accumulated depreciation

| Undepreciated cost                      | $ 1,397,934 |

Note 3 - Operating Leases

AAAR leases office spaces from unrelated third-parties. Total lease expense for the year ended December 31, 2017 was $29,950.

The Organization’s office lease in Auburn Hills, Michigan is a noncancellable lease agreement requiring monthly payments of $1,300 per month through September 2017, until rent increases to $1,550 per month expiring October 2020.

The Organization’s office lease in Detroit, Michigan is a noncancellable lease agreement requiring monthly payments of $1,100 per month through August 2017, until rent increases to $1,200 per month expiring October 2018.

The future minimum rental payments under these operating leases as of December 31, 2017 are as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>$ 29,400</td>
</tr>
<tr>
<td>2019</td>
<td>18,600</td>
</tr>
<tr>
<td>2020</td>
<td>13,950</td>
</tr>
</tbody>
</table>
**Note 4 - Long-Term Debt**

<table>
<thead>
<tr>
<th>Current</th>
<th>Long-Term</th>
</tr>
</thead>
<tbody>
<tr>
<td>$8,414</td>
<td>$130,104</td>
</tr>
</tbody>
</table>

Note payable to bank, due in monthly installments of $1,206 including principal and interest at 4.50%, until July 2020 when the remaining balance is due. The note is secured by substantially all property and equipment and cash deposit accounts with the bank totaling $78,568 as of December 31, 2017.

Note payable to bank, due in monthly installments of $2,258 including principal and interest at 4.96%, until April 2022 when the remaining balance is due. The note is secured by substantially all property and equipment and cash deposit accounts with the bank totaling $78,568 as of December 31, 2017.

<table>
<thead>
<tr>
<th></th>
<th>Current</th>
<th>Long-Term</th>
</tr>
</thead>
<tbody>
<tr>
<td>13,696</td>
<td>262,700</td>
<td></td>
</tr>
</tbody>
</table>

Total $22,110 $392,804

The amounts of long-term debt coming due during the five years ending December 31, 2022 are as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>$22,110</td>
</tr>
<tr>
<td>2019</td>
<td>$23,191</td>
</tr>
<tr>
<td>2020</td>
<td>$136,425</td>
</tr>
<tr>
<td>2021</td>
<td>$15,888</td>
</tr>
<tr>
<td>2022</td>
<td>$217,300</td>
</tr>
</tbody>
</table>

Interest expense for the year ended December 31, 2017 amounted to $15,983.

The note payable is subject to a borrower debt service coverage financial covenant. Under the terms of the loan agreements, the bank may call the loan if the Organization is in violation of the covenant.

* * * End of Notes * * *