

F. E. T. C. H., Inc.

Financial Statements
Year Ended June 30, 2016

F. E. T. C. H., Inc.

Furthering Education and Treatment for Companion Health

Mission: Non-profit organization determined to improve the quality of life by connecting people and pets through accessible, compassionate treatment and education.

F. E. T. C. H., Inc.

June 30, 2016

Contents

	<u>Page</u>
Independent Auditor's Report	1-2
Financial Statements	
Statement of Assets, Liabilities and Net Assets- Modified Cash Basis	3
Statement of Revenue, Expenses and Changes in Net Assets-Modified Cash Basis	4
Statement of Functional Expenses-Modified Cash Basis	5
Notes to Modified Cash Basis Financial Statements	6-11

INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors
F. E. T. C. H., Inc.
Richmond, Virginia

We have reviewed the accompanying financial statements of F. E. T. C. H., Inc. (a nonprofit organization), which comprise the statement of assets, liabilities, and net assets-modified cash basis as of June 30, 2016, and the related statements of revenues, expenses, and other changes in net assets-modified cash basis, and functional expenses-modified cash basis for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

F. E. T. C. H., Inc.
September 26, 2016
Page Two

Basis of Accounting

We draw attention to Note 2 of the financial statements which describes the basis of accounting. The financial statements are prepared in accordance with 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 conclusion is not modified with respect to this matter.

Morey, Jones & Pfeiffer, PC

Richmond, Virginia
September 26, 2016

F. E. T. C. H., Inc.

**Statement of Assets, Liabilities and Net Assets -
Modified Cash Basis
June 30, 2016**

Assets

Assets

Cash	\$ 387,059
Loans receivable	2,210
Inventory	1,663
Property and equipment, net	581,808
Loan fees, net	3,323
Security Deposits	<u>1,180</u>

Total Assets	<u><u>977,243</u></u>
---------------------	-----------------------

Liabilities and Net Assets

Liabilities

Credit Card Payable	89
Payroll tax withholdings	5,068
Long-term debt	<u>304,199</u>

Total Liabilities	<u>309,356</u>
--------------------------	----------------

Net Assets

Unrestricted	447,145
Temporarily restricted	<u>220,742</u>

Total Net Assets	<u>667,887</u>
-------------------------	----------------

Total Liabilities and Net Assets	<u><u>\$ 977,243</u></u>
---	--------------------------

**Statement of Revenue, Expenses and Changes
in Net Assets-Modified Cash Basis
Year Ended June 30, 2016**

Unrestricted Net Assets

Support and Revenue

Fundraising event contributions	\$ 117,718
Government grants	75,000
Contributions	262,972
Program service revenue	6,945
Income from fundraising events, net	19,169
Loss from sale of inventory, net	(2,036)
Investment income	133
Loss on sale of assets	(486)
Net assets released from restrictions	<u>309,889</u>

Total Unrestricted Support and Revenue 789,304

Expenses

Program services	299,844
Supporting services:	
Management and general	71,290
Fundraising	<u>79,922</u>

Total Expenses 451,056

Increase in Unrestricted Net Assets 338,248

Temporarily Restricted Net Assets

Contributions	
Companions in Crisis	4,378
Pixie Pen Pals	7,185
Capital Campaign	<u>210,124</u>

Total 221,687

Net assets released from restrictions	<u>309,889</u>
---------------------------------------	----------------

Decrease in Temporarily Restricted Net Assets (88,202)

Increase in Net Assets 250,046

Net Assets

Beginning of year	<u>417,841</u>
-------------------	----------------

End of year	<u>\$ 667,887</u>
-------------	-------------------

See Notes to Modified Cash Basis Financial Statements.

F. E. T. C. H., Inc.

Statement of Functional Expenses - Modified Cash Basis Year Ended June 30, 2016

	Program Services		
	Companions in Crisis	Education	Pixie Pen Pals
Salaries- Executive Director	\$ 1,401	\$ 13,200	\$ 16,717
Salaries and wages-other	12,177	60,407	27,057
Payroll taxes	1,242	5,242	2,448
Other employee benefits	119	1,129	1,423
Total Salaries and Related Expenses	14,939	79,978	47,645
Veterinary fees	44,713	-	-
Legal services	-	-	-
Accounting services	-	-	-
Other contracted services	-	3,166	51,544
Advertising and promotions	25	544	260
Office expenses	197	5,380	947
Information technology	-	1,346	-
Travel	150	2,563	1,805
Insurance	163	727	572
Interest	-	-	-
Other expenses	-	3,240	370
Program supplies	-	2,692	12,275
Rent	2,956	4,434	4,434
Total Expenses Before Depreciation	63,143	104,070	119,852
Depreciation of equipment	3,195	4,792	4,792
Total Expenses	<u>\$ 66,338</u>	<u>\$ 108,862</u>	<u>\$ 124,644</u>

See Notes to Modified Cash Basis Financial Statements.

<u>Supporting Services</u>		
<u>Management and General</u>	<u>Fund Raising</u>	<u>Total Expenses</u>
\$ 5,549	\$ 29,725	\$ 66,592
16,923	23,805	140,369
2,188	4,828	15,948
471	2,529	5,671
<hr/>	<hr/>	<hr/>
25,131	60,887	228,580
-	-	44,713
	2,437	2,437
10,920	-	10,920
400	630	55,740
261	85	1,175
7,094	5,732	19,350
844	4,992	7,182
272	1,203	5,993
798	648	2,908
1,371	-	1,371
18,047	3,308	24,965
-	-	14,967
2,956	-	14,780
<hr/>	<hr/>	<hr/>
68,094	79,922	435,081
<hr/>	<hr/>	<hr/>
3,196	-	15,975
<hr/>	<hr/>	<hr/>
<u>\$ 71,290</u>	<u>\$ 79,922</u>	<u>\$ 451,056</u>

**Notes to Modified Cash Basis Financial Statements
June 30, 2016****Note 1 – Nature of Business**

F.E.T.C.H., Inc. (the Organization) is a nonprofit corporation organized under the laws of the Commonwealth of Virginia for the purpose of improving the quality of life by connecting people and pets through accessible, compassionate treatment and education.

Note 2 - Summary of Significant Accounting Policies

This summary of significant accounting policies of F.E.T.C.H., Inc. is presented to assist in understanding the Organization's financial statements. These financial statements and notes are representations of the Organization's management, who are responsible for their integrity and objectivity. The accounting policies, as stated below, are on a comprehensive basis of accounting other than generally accepted accounting principles, and have been consistently applied in the preparation of the financial statements. Accordingly, the accompanying financial statements are not intended to present financial position and revenues, expenses and changes in net assets in conformity with generally accepted accounting principles.

Basis of Statements

The books and the financial statements of the Organization are maintained and presented on the modified cash basis, modified for the capitalization of property and equipment and related depreciation for the year presented in the financial statements.

The Organization reports amounts for total assets, liabilities and net assets in a statement of assets, liabilities and net assets-modified cash basis and changes in net assets in a statement of revenue, expenses and changes in net assets-modified cash basis. The Organization classifies net assets in three classes: unrestricted, temporarily restricted and permanently restricted based on the existence or absence of donor-imposed restrictions. There are currently no permanently restricted net assets.

Unrestricted net assets are not subject to donor-imposed restrictions and are presently available for use by the Organization at the discretion of the Board of Directors. If the Board specifies a purpose where none has been stated by a donor, such assets are classified as Board-designated net assets.

Property, Equipment and Depreciation

The Organization capitalizes property and equipment at acquisition cost. Donations of property and equipment are recorded at their fair value. Such donations are recorded as unrestricted contributions unless the donor has restricted the asset to a specific purpose. Property and equipment are depreciated using the straight-line method over a 5-year and 7-year useful life.

**Notes to Modified Cash Basis Financial Statements (Continued)
June 30, 2016****Note 2 - Summary of Significant Accounting Policies (Continued)***Support and Revenue*

Contributions received are recognized as revenues in the period received at their fair values. All contributions and grants are considered to be available for unrestricted use unless specifically restricted by the donor/grantor. Amounts received that are restricted by the donor/grantor for specific purposes are reported as temporarily restricted support. When temporary restrictions are satisfied upon meeting program objectives, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of revenue, expenses and changes in net assets-modified cash basis as net assets released from restrictions.

Income Tax Status

The Internal Revenue Service has determined that the Organization is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code. Form 990 is open to examination for the years ended June 30, 2014 - 2016.

Cash and Cash Equivalents

The Organization considers all highly liquid instruments purchased with maturities of three months or less to be cash equivalents.

Cash Restricted to Purchase Property

Cash restricted to purchase equipment has been restricted by donors and is not available for operating purposes.

Advertising and Promotion Costs

Advertising and promotion costs are expensed as incurred and amounted to \$1,175 for the year ended June 30, 2016.

Functional Allocation of Expenses

The costs of providing the various programs and related services have been presented in the Statement of Functional Expenses-Modified Cash Basis. Accordingly, certain costs have been allocated among programs and supporting services benefited.

Notes to Modified Cash Basis Financial Statements (Continued)
June 30, 2016

Note 2 - Summary of Significant Accounting Policies (Concluded)

Evaluation of Subsequent Events

The Organization has evaluated subsequent events through September 26, 2016, the date which the financial statements were available to be issued.

Note 3 – Property and Equipment

Property and equipment consists of the following at June 30, 2016:

Office Equipment	\$ 3,221
Oncology Equipment	370,275
Leasehold improvements	206,316
Computer equipment	8,751
Furniture and Fixtures	<u>13,973</u>
Total	602,536
Less accumulated depreciation	<u>20,728</u>
Net	<u><u>\$581,808</u></u>

Costs incurred in acquiring the oncology equipment amounted to \$370,275 and is included in property and equipment but was not placed in service as of June 30, 2016, and therefore was not depreciated. The Organization plans to begin leasing the oncology equipment to a lessee in October, 2016.

Note 4 – Long-Term Debt

Long- term debt consists of a note payable with monthly installments of \$5,872 including interest at 5.25%. The balance as of June 30, 2016 amounted to \$304,199. The loan is collateralized by a security interest in equipment, the FETCH Capital Campaign account and Capital Campaign pledges.

Notes to Modified Cash Basis Financial Statements (Continued)
June 30, 2016

Note 4 – Long-Term Debt (Concluded)

Maturities of long-term debt are as follows:

<u>Years ending June 30.</u>	<u>Amount</u>
2017	\$ 55,600
2018	58,637
2019	61,839
2020	65,217
2021	<u>62,906</u>
	<u>\$ 304,199</u>

Note 5 - Concentration of Credit Risk

Financial instruments which potentially subject the Organization to concentrations of credit risk consist primarily of cash. The Organization maintains its cash balances in a quality financial institution located in Richmond, Virginia. These balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. There are no uninsured balances as of June 30, 2016.

Note 6 – Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes at June 30, 2016:

Felicia Fund	\$ 2,563
Capital Campaign	<u>218,179</u>
Total	<u>\$220,742</u>

Note 7 – Capital Campaign

The Organization has an ongoing capital campaign to bring state of the art medical equipment and facilities together in one location with permanent offices for the Organization. Partnering with an established medical practice will bring radiation therapy to Central Virginia which will extend and save the lives of many pets.

Notes to Modified Cash Basis Financial Statements (Continued)
June 30, 2016**Note 7 – Capital Campaign (Concluded)**

Contributions raised through the Capital Campaign are restricted for the purchase of the medical equipment and renovation of the facility as well as a future endowment fund to sustain the Organization's mission. Those restrictions are considered to expire when payments are made. The current balance of the Capital Campaign fund is \$218,179 as of June 30, 2016.

The Organization has led by example on the Capital Campaign with 100% participation from both the Board of Directors and the staff.

The CT scanner and linear accelerator equipment purchased out of Capital Campaign funds will generate estimated leasing revenues of \$32,137 and \$38,564 for the years ending June 30, 2017 and 2018, respectively.

For the year ended June 30, 2016, fundraising expenses associated with the Capital Campaign were \$43,498 and donations to the Capital Campaign totaled \$210,124.

Note 8 – Contributed Goods and Services

Contributed goods and services are reflected in the financial statements as contributions at fair value, if determinable, and are also reported in the various expense and asset categories. The fair value of donated goods and services that were recorded for the year ended June 30, 2016 totaled \$98,505. A substantial number of unpaid volunteers have made significant contributions of their time to develop the Organization's programs. These services do not meet the criteria for recognition as donated services. The Organization received approximately 13,070 volunteer hours for the year ended June 30, 2016.

Note 9 – Commitments and Contingencies

The Organization signed a lease agreement with the landlord which commenced August 1, 2015 to occupy 1,567 square feet of office space. The term of the lease is for seven years with a renewable option for an additional seven years. The annual lease amount will start at \$15,670 with an annual increase of 3% per year over the term of the lease. Rent expense amounted to \$13,058 for the year ended June 30, 2016.

**Notes to Modified Cash Basis Financial Statements (Concluded)
June 30, 2016**

Note 10 – Subsequent Events

The Organization signed a “prime lease” with the landlord for 2, 675 square feet which is scheduled to commence November 1, 2016 and will be for seven years with a renewable option for an additional seven years. The annual lease amount will start at \$21,400 with an annual increase of 3% per year over the term of the lease. The space will be subleased to the subtenant as described in the following paragraph.

The Organization signed an agreement to sublease 2, 675 square feet of medical space and 800 square feet of shared office space to the company that is leasing the oncology equipment. The lease term is scheduled to commence November 1, 2016 and will be for seven years with a renewable option for an additional seven years. The annual lease amount will start at \$38,500 with an annual increase of 3% per year over the term of the lease.