

Financial Statements

**Friends of the Palm Springs
Animal Shelter**

December 31, 2013

Maryanov Madsen Gordon & Campbell
CERTIFIED PUBLIC ACCOUNTANTS - A Professional Corporation

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Friends of the Palm Springs Animal Shelter

We have audited the accompanying financial statements of Friends of the Palm Springs Animal Shelter (a nonprofit organization), which comprise the statement of financial position as of December 31, 2013, and the related statement of activities 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.

Auditors' 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.

To the Board of Directors of
Friends of the Palm Springs Animal Shelter
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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Friends of the Palm Springs Animal Shelter as of December 31, 2013, 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.

Margaret M. Gordon & Campbell

Palm Springs, CA
October 1, 2014

FRIENDS OF THE PALM SPRINGS ANIMAL SHELTER

STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2013

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 156,552
Accounts receivable	5,200
Prepaid expenses and other assets	<u>15,008</u>
Total current assets	<u>176,760</u>

EQUIPMENT AND LEASEHOLD IMPROVEMENTS

Furniture and equipment	1,701
Automobiles	<u>19,875</u>
	21,576
Less accumulated depreciation	<u>2,574</u>
Total property and equipment	<u>19,002</u>

\$ 195,762

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 20,592
Accrued vacation	6,830
Accrued expenses	<u>42,000</u>
Total current liabilities	<u>69,422</u>

UNRESTRICTED NET ASSETS

126,340

\$ 195,762

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

FRIENDS OF THE PALM SPRINGS ANIMAL SHELTER

STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2013

REVENUES

Clinic	\$ 31,397
Contributions	458,458
Gifts in kind	15,168
Shelter fees	1,072,044
Special events and fundraising	21,119
Other income	<u>351</u>
Total revenues	<u>1,598,537</u>

EXPENSES

Accounting	13,309
Animal care and health supplies	346,811
Animal transfer program	28,240
Benefits	73,259
Communications	3,425
Community relations	17,528
Computing	11,964
Custodial supplies	28,164
Depreciation	2,574
Dues and subscriptions	797
Facilities	33,094
HR administration	3,407
Insurance	17,544
Office supplies	13,007
Other expenses	3,801
Outside veterinarian services	33,531
Payroll taxes	77,267
Printing and graphics	12,265
Professional services	120,579
Repair and maintenance	16,267
Salaries and wages	768,456
Small equipment	4,603
TNR program	79,974
Travel and training	4,345
Utilities	59,251
Vehicle	544
Volunteer program	<u>5,101</u>
Total expenses	<u>1,779,107</u>

CHANGE IN NET ASSETS	(180,570)
NET ASSETS, beginning of year	<u>306,910</u>
NET ASSETS, end of year	<u>\$ 126,340</u>

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

FRIENDS OF THE PALM SPRINGS ANIMAL SHELTER

STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2013

DECREASE IN CASH

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from donors and agencies	\$ 1,594,748
Cash paid to suppliers and employees	<u>(1,727,815)</u>
Net cash used by operating activities	<u>(133,067)</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Capital expenditures	<u>(21,576)</u>
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Net decrease in cash (154,643)

Cash at beginning of year 311,195

Cash at end of year \$ 156,552

RECONCILIATION OF CHANGE IN NET ASSETS TO NET
CASH USED BY OPERATING ACTIVITIES:

Change in net assets \$ (180,570)

Adjustment to reconcile change in net assets to net
cash used by operating activities:

Depreciation	2,574
Gifts in kind revenue	(15,138)
Gifts in kind expense	15,138
(Increase) decrease in assets:	
Accounts receivable	11,350
Prepaid expenses and other assets	(15,009)
Increase (decrease) in liabilities:	
Accounts payable	(242)
Accrued vacation	6,830
Accrued expenses	<u>42,000</u>

Total adjustments 47,503

Net cash used by operating activities \$ (133,067)

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

FRIENDS OF THE PALM SPRINGS ANIMAL SHELTER

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2013

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

Friends of the Palm Springs Animal Shelter, a California nonprofit public benefit corporation, was formed in January 1996 for the purpose of providing financial support to the Palm Springs Animal Shelter. In November of 2012, Friends of the Palm Springs Animal Shelter entered into an agreement with the City of Palm Springs to operate the shelter. Friends of the Palm Springs Animal Shelter revenues come primarily from contracts entered into with the City of Palm Springs, grants, and private donations and fees.

Estimates

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Basis of Accounting

The financial statements of Friends of the Palm Springs Animal Shelter have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Continued

FRIENDS OF THE PALM SPRINGS ANIMAL SHELTER

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. Changes in the valuation allowance have not been material to the financial statements. Management believes that all current receivables are collectable.

Property and Equipment

All acquisitions of property and equipment and all expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method. Property and equipment are depreciated over their useful lives of 5 years.

Restricted and Unrestricted Revenue

Contributions received are recorded as increases in unrestricted, temporarily restricted, or permanently restricted net assets, depending on the existence and/or nature of any donor restrictions.

Donated Inventory

Donated inventory and other noncash donations are recorded as contributions at their fair value at the date of donation.

Donated Property and Equipment

Donations of property and equipment are recorded as contributions at fair value at the date of donation. Such donations are reported as increases in unrestricted net assets unless the donor has restricted the donated asset to a specific purpose.

Continued

FRIENDS OF THE PALM SPRINGS ANIMAL SHELTER

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donated Services

No amounts have been reflected in the financial statements for donated services. The Organization generally pays for services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Organization with specific assistance programs, campaign solicitations, and various committee assignments. The Organization received approximately 25,000 volunteer hours for the year ended December 31, 2013.

Income Taxes

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and from state tax under Section 23701d of the California Revenue and Taxation Code. However, income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(1).

Subsequent Events

Management has evaluated subsequent events through October 1, 2014, the date on which the financial statements were issued.

NOTE 1: ANIMAL SHELTER SERVICES AGREEMENT

The Organization has an agreement with the City of Palm Springs (the City), which requires the Organization to operate, maintain and promote the shelter. The Organization must also provide medical services for the animals housed at the shelter and follow the minimum legal requirements for housing animals that are lost, strayed, or homeless. The Organization is responsible for following all legal and reporting requirements of operating the shelter. The agreement is for a period of five years and eight months that began in November 2012. The City will pay a base amount of \$995,000 each fiscal year for the first two fiscal years. The amount will be adjusted each fiscal year remaining in the contract based on the increase or decrease in the Consumer Price Index published by the United States Department of Labor, Bureau of Labor Statistics for "All Items - All Urban Consumers", for the Los Angeles County-Riverside-Orange County Metropolitan Statistical Area, during the preceding year.

FRIENDS OF THE PALM SPRINGS ANIMAL SHELTER

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

NOTE 2: ESTIMATED PAYABLE

The Organization received veterinarian services throughout the year from VCA Animal Hospital. The Organization is currently in negotiation on the rate at which these services will be billed. Because the services have been rendered and an amount will be due the animal hospital, the Organization has accrued an expense of \$42,000 for the year ended December 31, 2013 based on historical rates with the animal hospital.

NOTE 3: OPERATING LEASES

The Organization has a noncancelable operating leases for copy equipment that expires January 1, 2018. The lease requires the Organization to pay all executory costs, such as taxes, maintenance, and insurance. Rental expense for the year ended December 31, 2013 was \$1,662.

Future minimum lease payments under operating lease as of December 31, 2013, are as follows:

Year ending December 31:

2014	\$ 1,662
2015	1,662
2016	1,662
2017	<u>1,662</u>
	<u>\$ 6,648</u>