

*Financial Statements*

**Friends of the Palm Springs  
Animal Shelter**

December 31, 2014 and 2013

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

INDEPENDENT AUDITOR'S 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, 2014 and 2013, and the related statements of activities and cash flows for the years 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 audits. We conducted our audits 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.

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

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 Friends of the Palm Springs Animal Shelter as of December 31, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Maryann Mader Gordon & Campbell*

Palm Springs, CA  
September 8, 2015

FRIENDS OF THE PALM SPRINGS ANIMAL SHELTER

STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2014 AND 2013

ASSETS

	<u>2014</u>	<u>2013</u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 357,503	\$ 156,552
Accounts receivable	-	5,200
Prepaid expenses	5,590	15,008
Inventory	3,890	-
Deposits	400	-
	<u>367,383</u>	<u>176,760</u>
<b>PROPERTY AND EQUIPMENT</b>		
Furniture and equipment	6,217	1,701
Building improvements	250	-
Automobiles	<u>19,875</u>	<u>19,875</u>
	26,342	21,576
Less accumulated depreciation	<u>(7,181)</u>	<u>(2,574)</u>
	<u>19,161</u>	<u>19,002</u>
	<u>\$ 386,544</u>	<u>\$ 195,762</u>

LIABILITIES AND NET ASSETS

<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 68,929	\$ 20,592
Accrued payroll	40,843	6,830
Accrued expenses	23,665	42,000
Accrued sales tax	503	-
Deferred revenue	<u>-</u>	<u>212,125</u>
	<u>133,940</u>	<u>281,547</u>
<b>NET ASSETS</b>		
Unrestricted	242,604	(85,785)
Temporarily restricted	<u>10,000</u>	<u>-</u>
	<u>252,604</u>	<u>(85,785)</u>
	<u>\$ 386,544</u>	<u>\$ 195,762</u>

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, 2014

	Friends	Shelter	Pet Stuff	Total
<b>SUPPORT AND REVENUES</b>				
Programs:				
City of Palm Springs Contract	\$ -	\$ 995,000	\$ -	\$ 995,000
Shelter fees	-	104,115	-	104,115
Clinic	-	57,836	-	57,836
Net revenue from programs	-	1,156,951	-	1,156,951
Fundraising:				
Fundraising events and activities revenue	43,208	-	9,044	52,252
Less direct costs	28,334	-	3,151	31,485
Net revenues from fundraising events and activities	14,874	-	5,893	20,767
Contributions and grants	883,782	-	-	883,782
Contributions in kind	29,648	-	-	29,648
Other income	-	1,882	368	2,250
Total support and revenues	928,304	1,158,833	6,261	2,093,398
<b>EXPENSES</b>				
Accounting	19,755	16,595	-	36,350
Advertising	-	-	592	592
Animal care supplies	-	328,585	-	328,585
Animal transfer program	-	7,264	-	7,264
Benefits	-	101,528	-	101,528
Communications	370	3,491	-	3,861
Community relations	28,509	1,605	-	30,114
Computing	1,893	21,998	-	23,891
Custodial supplies	-	35,416	-	35,416
Depreciation	35	4,363	209	4,607
Development	10,516	-	-	10,516
Dues and subscriptions	460	66	-	526
Facilities	4,078	12,417	-	16,495
HR administration	-	7,142	-	7,142
Insurance	2,584	24,946	-	27,530
Office supplies	12,029	7,082	520	19,631
Other expenses	5,400	-	-	5,400
Veterinary services	-	11,560	-	11,560
Payroll taxes	-	75,606	-	75,606
Printing and graphics	20,290	9,979	-	30,269
Professional services	39,193	33,722	60	72,975
Repair and maintenance	-	8,230	-	8,230
Salaries and wages	-	819,046	-	819,046
Small equipment	-	8,066	-	8,066
TNR program	-	48,783	-	48,783
Travel and training	521	6,291	-	6,812
Utilities	-	3,104	-	3,104
Vehicles	50	1,779	-	1,829
Volunteer program	5,612	3,669	-	9,281
Total expenses	151,295	1,602,333	1,381	1,755,009
CHANGES IN NET ASSETS	\$ 777,009	\$ (443,500)	\$ 4,880	\$ 338,389

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

	Friends	Shelter	Pet Stuff	Total
<b>SUPPORT AND REVENUES</b>				
Programs:				
City of Palm Springs Contract	\$ -	\$ 772,500	\$ -	\$ 772,500
Shelter fees	-	87,419	-	87,419
Clinic	-	29,633	-	29,633
Net revenue from programs	-	889,552	-	889,552
Fundraising:				
Fundraising events and activities revenue	42,647	-	1,764	44,411
Less direct costs	21,528	-	-	21,528
Net revenues from fundraising events and activities	21,119	-	1,764	22,883
Contributions and grants	443,385	15,073	-	458,458
Contributions in kind	15,168	-	-	15,168
Other income	-	351	-	351
Total support and revenues	479,672	904,976	1,764	1,386,412
<b>EXPENSES</b>				
Accounting	5,543	7,738	28	13,309
Animal care supplies	-	346,811	-	346,811
Animal transfer program	-	28,240	-	28,240
Benefits	-	73,259	-	73,259
Communications	285	3,140	-	3,425
Community relations	13,773	3,755	-	17,528
Computing	1,270	10,694	-	11,964
Custodial supplies	-	28,164	-	28,164
Depreciation	-	2,574	-	2,574
Dues and subscriptions	725	72	-	797
Facilities	486	32,608	-	33,094
HR administration	-	3,407	-	3,407
Insurance	525	17,019	-	17,544
Office supplies	2,560	8,998	1,449	13,007
Other expenses	1,850	1,807	144	3,801
Veterinary services	-	33,531	-	33,531
Payroll taxes	-	77,267	-	77,267
Printing and graphics	3,365	8,900	-	12,265
Professional services	28,579	92,000	-	120,579
Repair and maintenance	-	16,267	-	16,267
Salaries and wages	-	768,456	-	768,456
Small equipment	-	4,603	-	4,603
TNR program	-	79,974	-	79,974
Travel and training	1,067	3,278	-	4,345
Utilities	-	59,251	-	59,251
Vehicles	-	544	-	544
Volunteer program	-	5,101	-	5,101
Total expenses	60,028	1,717,458	1,621	1,779,107
CHANGES IN NET ASSETS	\$ 419,644	\$ (812,482)	\$ 143	\$ (392,695)

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

FRIENDS OF THE PALM SPRINGS ANIMAL SHELTER

STATEMENTS OF CHANGES IN NET ASSETS  
YEARS ENDED DECEMBER 31, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
Unrestricted net assets		
Total unrestricted revenues and gains	\$ 2,083,398	\$ 1,386,412
Total unrestricted expenses and losses	<u>(1,755,009)</u>	<u>(1,779,107)</u>
Increase (decrease) in unrestricted net assets	<u>328,389</u>	<u>(392,695)</u>
Temporarily restricted net assets		
Total temporarily restricted revenues and gains	10,000	-
Total temporarily restricted expenses and losses	<u>-</u>	<u>-</u>
Increase in temporarily restricted net assets	<u>10,000</u>	<u>-</u>
Increase (decrease) in net assets	338,389	(392,695)
NET ASSETS, beginning of year	<u>(85,785)</u>	<u>306,910</u>
NET ASSETS, end of year	<u>\$ 252,604</u>	<u>\$ (85,785)</u>

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

FRIENDS OF THE PALM SPRINGS ANIMAL SHELTER

STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2014 AND 2013

INCREASE (DECREASE) IN CASH	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from donors and services	\$ 1,856,831	\$ 1,594,748
Cash paid to suppliers and employees	<u>(1,651,114)</u>	<u>(1,727,815)</u>
Net cash provided (used) by operating activities	<u>205,717</u>	<u>(133,067)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	<u>(4,766)</u>	<u>(21,576)</u>
Net increase (decrease) in cash	200,951	(154,643)
Cash at beginning of year	<u>156,552</u>	<u>311,195</u>
Cash at end of year	<u>\$ 357,503</u>	<u>\$ 156,552</u>
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Change in net assets	<u>\$ 338,389</u>	<u>\$ (392,695)</u>
Adjustment to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	4,607	2,574
Contributions in kind revenue	(29,648)	(15,138)
Contributions in kind expense	29,648	15,138
(Increase) decrease in assets:		
Accounts receivable	5,200	11,350
Prepaid expenses	9,418	(15,009)
Inventory	(3,890)	-
Deposits	(400)	-
Increase (decrease) in liabilities:		
Accounts payable	48,337	(242)
Accrued payroll	34,013	6,830
Accrued expenses	(18,335)	42,000
Accrued sales tax	503	-
Deferred revenue	<u>(212,125)</u>	<u>212,125</u>
Total adjustments	<u>(132,672)</u>	<u>259,628</u>
Net cash provided (used) by operating activities	<u>\$ 205,717</u>	<u>\$ (133,067)</u>

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



# FRIENDS OF THE PALM SPRINGS ANIMAL SHELTER

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2014 AND 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, 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, 2014 AND 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 5-15 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, 2014 AND 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 during each year ended December 31, 2014 and 2013.

Expense Allocation

Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services on the basis of management estimates.

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).

The Organization files forms 990 in the U.S. federal jurisdiction and form 199 in the State of California. The Organization is generally no longer subject to examination by the Internal Revenue Service for years before 2011 or the Franchise Tax board for years before 2010.

Reclassifications

Certain amounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

Continued

FRIENDS OF THE PALM SPRINGS ANIMAL SHELTER

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent Events

Management has evaluated subsequent events through September 8, 2015, the date on which the financial statements were issued.

NOTE 1: COMPENSATED ABSENCES

Employees of the Organization are entitled to paid time off (PTO), depending on length of service. Employees are allowed to accumulate PTO at their current rate of pay. Employees can also carry over earned PTO. Accordingly, liabilities of \$11,876 and \$6,830 as of December 31, 2014 and 2013, respectively are included in accrued payroll.

NOTE 2: ACCRUED EXPENSES

The Organization received veterinary services throughout 2013 from VCA Animal Hospital. Because the services have been rendered and an amount will be due the VCA Animal Hospital, the Organization accrued an expense based on historical rates with the animal hospital of \$42,000 at December 31, 2013. The Organization reached an agreement with the VCA Animal Hospital for \$33,665, of which \$10,000 was paid in 2014. The remaining balance of \$23,665 was paid in 2015.

NOTE 3: DEFERRED REVENUE

The change in the Organization's deferred revenue account for the year ended December 31, 2014, is comprised of the following.

Balance as of January 1, 2014	\$ 212,125
Additions:	
Contract payments received	782,875
Reductions:	
Contract payments earned	<u>(995,000)</u>
Balance as of December 31, 2014	<u>\$ -</u>



FRIENDS OF THE PALM SPRINGS ANIMAL SHELTER

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013

NOTE 4: TEMPORARILY RESTRICTED FUNDS

Temporarily restricted net assets are available for the following purposes or periods:

	<u>2014</u>
Purchase of x-ray machine	<u>\$ 10,000</u>

NOTE 5: 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 term of five years and eight months that began November 1, 2012 and ends June 30, 2018. The term of the agreement may be extended twice for three years for each extension, with the mutual consent and agreement of the Organization and the City. The City will contribute a base amount of \$995,000 for the first two fiscal years beginning July 1, 2013 (July - June fiscal year coincides with the city's fiscal year). For each of the next fiscal years the City shall contribute an amount equal to the base amount adjusted in an amount equal to the increase or decrease in the Consumer Price Index published by the United States Department of Labor, Bureau of Labor Statistics (1982-1984 = 100) [the "CPI"] for "All Items - All Urban Consumers," for the Los Angeles-Riverside-Orange Counties Metropolitan Statistical Area, during the preceding year. If the option periods are exercised the contribution amount shall be negotiated in good faith by the parties.

NOTE 6: ADVERTISING

The Organization uses advertising to promote its programs to the general public. The production costs of advertising are expensed as incurred. During the year ended December 31, 2014, advertising costs totaled \$592.

FRIENDS OF THE PALM SPRINGS ANIMAL SHELTER

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013

NOTE 7: OPERATING LEASES

The Organization has a noncancelable operating lease 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 was \$1,662 for each year ended December 31, 2014 and 2013.

Future minimum lease payments under the operating lease as of December 31, 2014, are as follows:

<u>Year Ending December 31:</u>	<u>Amount</u>
2015	\$ 1,662
2016	1,662
2017	<u>1,662</u>
	<u>\$ 4,986</u>

NOTE 8: CONCENTRATION OF RISK

The Organization maintains all of its bank accounts at a single institution in Palm Springs, California. Accounts at the institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Cash balances at December 31, 2014 and at various times during the year were in excess of this amount.

Approximately 50% of the Organization's revenue, excluding in-kind contributions, was earned under a contract with the City of Palm Springs.

NOTE 9: ERROR CORRECTIONS

Certain errors resulting in an overstatement of previously reported revenues were discovered during the current year. Accordingly, an adjustment of \$212,125 was made to reduce 2013 revenues and increase deferred revenues as of December 31, 2013. A corresponding entry was made to reduce previously reported net assets. The effect of the restatement is a \$212,125 decrease in net assets at December 31, 2013.

