

SPAY NEUTER PROJECT OF LOS ANGELES, INC.

**FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITOR'S REPORT**

YEAR ENDED JULY 31, 2012

Contents

	<u>Page</u>
Report of Independent Auditor.....	1
Financial Statements:	
Statement of Financial Position.....	2
Statement of Activities.....	3
Statement of Cash Flows.....	5
Statement of Functional Expenses.....	6
Notes to Financial Statements.....	8

REPORT OF INDEPENDENT AUDITOR

**Board of Directors
Spay Neuter Project of Los Angeles, Inc.
Los Angeles, CA**

We have audited the statement of financial position of Spay Neuter Project of Los Angeles, Inc. (formerly known as Clinico, Inc. prior to July, 10, 2011) for the years ended July 31, 2012 and 2011, and the related statements of activities, cash flows and functional expenses for the years then ended. These financial statements are the responsibility of management. 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Spay Neuter Project of Los Angeles, Inc. as of July 31, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.



**Arndt Consulting, LLC
December 14, 2012
Brookfield, WI**

SPAY NEUTER PROJECT OF LOS ANGELES, INC.
STATEMENT OF FINANCIAL POSITION
JULY 31, 2012 and 2011

<u>ASSETS</u>	<u>2012</u>	<u>2011</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 533,756	\$ 496,078
Accounts receivable	121,338	56,363
Grants receivable	100,000	-
Prepaid expenses	22,907	15,479
Other current assets	<u>669</u>	<u>2,629</u>
TOTAL CURRENT ASSETS	778,670	570,549
PROPERTY AND EQUIPMENT:		
Property and equipment	389,390	389,390
Accumulated depreciation	<u>(314,547)</u>	<u>(220,911)</u>
NET PROPERTY AND EQUIPMENT	74,843	168,479
OTHER ASSETS:		
Security deposits	<u>10,230</u>	<u>10,230</u>
TOTAL ASSETS	<u>\$ 863,743</u>	<u>\$ 749,258</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES:		
Accounts payable	\$ 27,987	\$ 48,161
Accrued expenses	44,908	31,504
Accrued salaries and taxes	77,930	58,734
Sales tax payable	35	3,052
Deferred revenue	<u>88,580</u>	<u>279,923</u>
TOTAL CURRENT LIABILITIES	239,440	421,374
NET ASSETS:		
Unrestricted	232,738	327,884
Temporarily restricted	<u>391,565</u>	<u>-</u>
TOTAL NET ASSETS	<u>624,303</u>	<u>327,884</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 863,743</u>	<u>\$ 749,258</u>

See notes to financial statements.

SPAY NEUTER PROJECT OF LOS ANGELES, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED JULY 31, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
SUPPORT:			
Grants	\$ 457,074	\$ 505,000	\$ 962,074
Contributions	41,846	-	41,846
Donated services and in-kind donations	179,900		179,900
Net assets released from restrictions	113,435	(113,435)	-
	<u>792,255</u>	<u>391,565</u>	<u>1,183,820</u>
REVENUE:			
Program service revenue	1,953,291	-	1,953,291
Other	1,574	-	1,574
	<u>1,954,865</u>	<u>-</u>	<u>1,954,865</u>
TOTAL SUPPORT AND REVENUE	2,747,120	391,565	3,138,685
EXPENSES:			
Program	2,203,234	-	2,203,234
Management and general	591,389	-	591,389
Fundraising	47,643	-	47,643
	<u>2,842,266</u>	<u>-</u>	<u>2,842,266</u>
CHANGE IN NET ASSETS	(95,146)	391,565	296,419
NET ASSETS - BEGINNING OF YEAR	<u>327,884</u>	<u>-</u>	<u>327,884</u>
NET ASSETS - END OF YEAR	<u><u>\$ 232,738</u></u>	<u><u>\$ 391,565</u></u>	<u><u>\$ 624,303</u></u>

See notes to financial statements.

SPAY NEUTER PROJECT OF LOS ANGELES, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JULY 31, 2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
SUPPORT:			
Grants	\$ 414,292	\$ -	\$ 414,292
Contributions	36,363	-	36,363
Donated services and in-kind donations	22,823	-	22,823
Net assets released from restrictions	<u>297,438</u>	<u>(297,438)</u>	<u>-</u>
	770,916	(297,438)	473,478
REVENUE:			
Program service revenue	1,484,184	-	1,484,184
Other	<u>8,037</u>	<u>-</u>	<u>8,037</u>
	<u>1,492,221</u>	<u>-</u>	<u>1,492,221</u>
TOTAL SUPPORT AND REVENUE	2,263,137	(297,438)	1,965,699
EXPENSES:			
Program	1,923,884	-	1,923,884
Management and general	321,417	-	321,417
Fundraising	<u>17,841</u>	<u>-</u>	<u>17,841</u>
	<u>2,263,142</u>	<u>-</u>	<u>2,263,142</u>
CHANGE IN NET ASSETS	(5)	(297,438)	(297,443)
NET ASSETS - BEGINNING OF YEAR	<u>327,889</u>	<u>297,438</u>	<u>625,327</u>
NET ASSETS - END OF YEAR	<u><u>\$ 327,884</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 327,884</u></u>

See notes to financial statements.

SPAY NEUTER PROJECT OF LOS ANGELES, INC.

STATEMENT OF CASH FLOWS

YEARS ENDED JULY 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 296,419	\$ (297,443)
Adjustments to reconcile change in net assets to cash provided by operating activities:		
Depreciation	93,636	92,594
Change in accounts receivable	(64,975)	(20,926)
Change in grants receivable	(100,000)	700,000
Change in prepaid expenses	(7,428)	18,108
Change in other current assets	1,960	(2,629)
Change in accounts payable	(20,174)	(174,863)
Change in accrued expenses	29,583	18,769
Change in deferred revenue	<u>(191,343)</u>	<u>(18,098)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	37,678	315,512
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	<u>-</u>	<u>(6,328)</u>
NET CASH USED BY INVESTING ACTIVITIES	-	(6,328)
CASH FLOWS FROM FINANCING ACTIVITIES:		
No activity to report	<u>-</u>	<u>-</u>
NET PROVIDED BY FINANCING ACTIVITIES	-	-
NET CHANGE IN CASH	37,678	309,184
CASH AND CASH EQUIVALENTS:		
Beginning of year	<u>496,078</u>	<u>186,894</u>
End of year	<u><u>\$ 533,756</u></u>	<u><u>\$ 496,078</u></u>
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid for interest	<u><u>\$ -</u></u>	<u><u>\$ 120</u></u>

See notes to financial statements.

SPAY NEUTER PROJECT OF LOS ANGELES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JULY 31, 2012

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and wages	\$ 929,700	\$ 393,162	\$ -	\$ 1,322,862
Employee benefits and payroll taxes	181,128	47,055	-	228,183
Outside services	256,548	55,840	-	312,388
Medical and surgical supplies	551,511	-	-	551,511
Animal care supplies	14,704	-	-	14,704
Janitorial supplies	12,025	15,000	-	27,025
Printing and postage	12,662	-	-	12,662
Office supplies	15,167	3,543	-	18,710
Rent	75,050	4,902	-	79,952
Telephone, utilities and internet	20,416	19,407	-	39,823
Permits and licenses	475	1,041	-	1,516
Equipment expense	4,870	3,497	-	8,367
Recruitment and training	452	9,381	-	9,833
Other staff expense	10,578	2,630	-	13,208
Depreciation	93,636	-	-	93,636
Reserves and finance fees	140	21,722	-	21,862
Insurance	6,210	2,805	-	9,015
Repairs and maintenance	1,627	-	-	1,627
Messenger and delivery	521	2,092	-	2,613
Fundraising expense	-	-	47,643	47,643
Other	15,814	9,312	-	25,126
TOTAL EXPENSES	\$ 2,203,234	\$ 591,389	\$ 47,643	\$ 2,842,266

See notes to financial statements.

SPAY NEUTER PROJECT OF LOS ANGELES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JULY 31, 2011

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and wages	\$ 747,385	\$ 168,337	\$ -	\$ 915,722
Employee benefits and payroll taxes	142,233	32,684	-	174,917
Outside services	327,586	47,809	-	375,395
Consulting	-	1,000	-	1,000
Medical and surgical supplies	451,178	-	-	451,178
Animal care supplies	21,264	-	-	21,264
Janitorial supplies	5,231	-	-	5,231
Printing and postage	6,794	11,790	-	18,584
Office supplies	10,579	3,392	-	13,971
Rent	72,975	-	-	72,975
Telephone, utilities and internet	21,653	11,236	-	32,889
Permits and licenses	200	345	-	545
Equipment expense	5,195	2,545	-	7,740
Staff travel	873	3,987	-	4,860
Recruitment and training	225	1,440	-	1,665
Other staff expense	2,905	1,893	-	4,798
Depreciation	92,594	-	-	92,594
Reserves and finance fees	30	14,130	-	14,160
Insurance	5,685	2,504	-	8,189
Repairs and maintenance	2,831	-	-	2,831
Messenger and delivery	-	17,882	-	17,882
Fundraising expense	-	-	17,841	17,841
Other	6,468	443	-	6,911
TOTAL EXPENSES	<u>\$ 1,923,884</u>	<u>\$ 321,417</u>	<u>\$ 17,841</u>	<u>\$ 2,263,142</u>

See notes to financial statements.

SPAY NEUTER PROJECT OF LOS ANGELES, INC.**NOTES TO FINANCIAL STATEMENTS****YEARS ENDED JULY 31, 2012 and 2011****NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:****DESCRIPTION OF ORGANIZATION:**

Spay Neuter Project of Los Angeles, Inc. (the Organization) began operations in August 2007. The Organization is a not-for-profit, tax exempt 501 (c) (3) public benefit organization dedicated to substantially reducing animal shelter intake. As of July 10, 2011, the Organization legally changed its name to Spay Neuter Project of Los Angeles, Inc., prior to this date, the Organization was known as Clinico, Inc.

NATURE OF PROGRAMS:

Spay and Neuter Clinics – The Organization operates 3 spay and neuter clinics that provide high-quality, low-cost spay and neuter services to underserved communities in the Los Angeles area.

TAX-EXEMPT STATUS:

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. Additionally, the Organization qualifies for charitable contribution deductions under Section 170(b)(1)(A) and has been classified as a publicly supported entity under Section 509(a)(1). Generally, the Organization's tax exempt income tax returns are subject to examination for three years after they are filed.

FAIR VALUE OF FINANCIAL INSTRUMENTS:

The Organization's financial instruments include cash and cash equivalents, accounts receivable, grants receivable and accounts payable. The recorded values of these financial instruments approximate their fair value based on their short-term nature.

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 amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

CASH AND CASH EQUIVALENTS:

The Organization defines cash and cash equivalents as highly liquid, short-term investments with a maturity at the date of acquisition of three months or less.

ACCOUNTS AND GRANTS RECEIVABLE:

No allowance for uncollectible accounts and grants receivable has been established based on management's knowledge of historical uncollectible accounts. Accounts and grants receivable are charged off as uncollectible when management determines they have exhausted all reasonable collection efforts.

INVENTORY:

The Organization expenses purchases of medical and surgical supplies in the year of acquisition. No amounts are recorded on the statement of financial position as inventory on a recurring basis.

SPAY NEUTER PROJECT OF LOS ANGELES, INC.**NOTES TO FINANCIAL STATEMENTS****YEARS ENDED JULY 31, 2012 and 2011****NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):****FINANCIAL STATEMENT PRESENTATION:**

The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted.

Unrestricted net assets – Unrestricted net assets generally result from revenues from providing services, producing and delivering goods, receiving unrestricted contributions, and receiving dividends or interest from investing in income producing assets, less expenses incurred in providing services, producing and delivering goods, raising contributions, and performing administrative functions. The only limits on the use of unrestricted 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.

Temporarily restricted net assets – The part of the net assets of a not-for-profit organization resulting (a) from contributions and other inflows of assets whose use by the Organization is limited by donor imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Organization pursuant to those stipulations, (b) from other asset enhancements and diminishments subject to the same kinds of stipulations, and (c) from reclassifications to (or from) other classes of net assets as a consequence of donor imposed stipulations, their expiration by passage of time, or their fulfillment and removal by actions of the Organization pursuant to those stipulations.

Permanently restricted net assets – The part of the net assets of a not-for-profit organization resulting (a) from contributions and other inflows of assets whose use by the Organization is limited by donor imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Organization, (b) from other asset enhancements and diminishments subject to the same kinds of stipulations, and (c) from reclassifications from (or to) other classes of net assets as a consequence of donor imposed stipulations.

PROPERTY AND EQUIPMENT:

Property and equipment is stated at cost if purchased or fair market value at the date of the gift if donated. Acquisitions of property and equipment and expenditures for improvements and betterments that prolong the useful lives of assets are capitalized. Maintenance, repairs, and minor improvements are expensed 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 the statement of activities. Property and equipment is depreciated using the straight-line method over the shorter of the estimated useful lives or lease term if a leasehold improvement.

SPAY NEUTER PROJECT OF LOS ANGELES, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JULY 31, 2012 and 2011

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

REVENUE RECOGNITION:

Revenues from conditional promises to give are recognized as the conditions are met. Payments received from contributors for which the conditions have not been satisfied are recorded as deferred revenue.

Donated services are recognized as contributions if the services (a) create or enhance non-financial assets or (b) require special skills that the Organization would otherwise need to purchase.

A number of volunteers typically donate their time to the Organization. The value of this time has not been reflected in the accompanying financial statements since it does not meet the criteria for recognition.

NOTE B – CONCENTRATION OF CREDIT RISK:

The Organization maintains its cash balances in a financial institution. Cash balances may exceed federally insured limits. The Organization monitors the financial condition of its financial institution and believes it is not exposed to any significant credit risk on cash.

NOTE C – CONCENTRATION OF REVENUE:

The Organization receives a substantial portion of its support and revenue from two sources. For the years ended July 31, 2012 and 2011, these sources accounted for 16.07% and 21.57% in 2012 and 19.74% and 1.33% in 2011 of total support and revenue. Grants receivable from these sources at July 31, 2012 were \$100,000.

NOTE D – PROPERTY AND EQUIPMENT:

The major categories of property and equipment as of July 31, 2012 and 2011 are summarized as follows:

	<u>2012</u>	<u>2011</u>
Leasehold improvements	\$ 252,809	\$ 252,809
Furniture, fixtures and equipment	<u>136,581</u>	<u>136,581</u>
	389,390	389,390
Less accumulated depreciation	<u>314,547</u>	<u>220,911</u>
	<u>\$ 74,843</u>	<u>\$ 168,479</u>

SPAY NEUTER PROJECT OF LOS ANGELES, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JULY 31, 2012 and 2011

NOTE E – TEMPORARILY RESTRICTED NET ASSETS:

Temporarily restricted net assets are available for the following purposes as of July 31, 2012:

	<u>2012</u>
PetSmart Charities	\$ 197,840
Found Animals Foundation	98,200
Best Friends Animal Society	<u>95,525</u>
	<u>\$ 391,565</u>

NOTE F – LEASE COMMITMENT:

The Organization leases a facility under a long-term non-cancelable operating lease agreement. The lease expires in July 2013, requires payment of common area maintenance costs and provides for a five-year renewal option. Rent expense including common area maintenance costs for the years ended July 31, 2012 and 2011 were \$73,764 and \$71,173.

The Organization leases equipment under a long-term non-cancelable operating lease agreement. The lease expires in July 2013, equipment expense related to this lease was \$2,748 for each of the years ended July 31, 2012 and 2011.

Future minimum lease payments under these leases are as follows:

Year ending July 31,	<u>Facility</u>	<u>Equipment</u>	<u>Total</u>
2013	69,880	2,519	72,399

Additionally, the Organization utilizes space that is owned by the City of Los Angeles for the operation of two of its clinics. The space is provided in exchange for discounted spay and neuter surgical services. No in-kind rent expense or contribution revenue has been recognized in the accompanying financial statements because of the discounted nature of the surgical services.

NOTE G – DONATED SUPPLIES AND SERVICES:

The Organization received donated supplies and services and has determined the value based on an estimate of the fair market value provided by the donors. Accordingly, \$179,900 and \$22,823 has been included in the accompanying financial statements as donated services and in-kind donation revenue for the years ended July 31, 2012 and 2011.

SPAY NEUTER PROJECT OF LOS ANGELES, INC.**NOTES TO FINANCIAL STATEMENTS****YEARS ENDED JULY 31, 2012 and 2011****NOTE H – CONTINGENCIES:**

Certain grants and contracts may be subject to audit by funding sources. Such audits may result in disallowance of costs submitted for reimbursement. Management believes that such cost disallowances, if any, will not have a material effect on the accompanying financial statements. Accordingly, no amounts have been provided in the accompanying financial statements for such potential claims.

NOTE I – RELATED PARTY TRANSACTIONS:

The Organization purchases insurance through a company that is controlled by a board member that completed his term of duty in September 2011. The company functions as an insurance broker, does not provide insurance coverage and is compensated by the insurance carriers. Additionally, the Organization purchases payroll processing services from a company also controlled by this board member. For the years ended July 31, 2012 and 2011 the Organization paid this company \$4,040 and \$2,635 respectively.

NOTE J – LITIGATION:

The Organization is the defendant in various ongoing lawsuits filed by former employees for alleged unfair compensation practices. No loss contingency has been recorded in the accompanying financial statements as the Organization contents the lawsuits are without merit.

NOTE K – SUBSEQUENT EVENTS:

Management has evaluated subsequent events for possible recognition or disclosure through the date the financial statements were available to be distributed, December 14, 2012. There were no subsequent events that required recognition or disclosure.