

SPAY NEUTER PROJECT OF LOS ANGELES, INC.

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

DECEMBER 31, 2013

Contents

	<u>Page</u>
Independent Auditor's Report.....	1
Financial Statements:	
Statement of Financial Position.....	2
Statement of Activities.....	3
Statement of Cash Flows.....	4
Statement of Functional Expenses.....	5
Notes to Financial Statements.....	6

INDEPENDENT AUDITOR'S REPORT

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

REPORT ON THE FINANCIAL STATEMENTS:

We have audited the accompanying financial statements of Spay Neuter Project of Los Angeles, Inc., which comprise the statement of financial position as of December 31, 2013 and the related statements of activities, cash flows and functional expenses for the five months 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 of 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.

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 December 31, 2013, and the changes in its net assets and its cash flows for the five months then ended in accordance with accounting principles generally accepted in the United States of America.



Arndt Consulting, LLC
April 15, 2015
Brookfield, WI

SPAY NEUTER PROJECT OF LOS ANGELES, INC.

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2013

	<u>2013</u>
<u>ASSETS</u>	
CURRENT ASSETS:	
Cash and cash equivalents	\$ 145,228
Accounts receivable	74,760
Prepaid expenses	47,860
Other current assets	<u>10,026</u>
TOTAL CURRENT ASSETS	277,874
PROPERTY AND EQUIPMENT:	
Property and equipment	384,156
Accumulated depreciation	<u>(376,808)</u>
NET PROPERTY AND EQUIPMENT	7,348
OTHER ASSETS:	
Security deposits	<u>10,230</u>
TOTAL ASSETS	<u>\$ 295,452</u>
<u>LIABILITIES AND NET ASSETS</u>	
CURRENT LIABILITIES:	
Accounts payable	\$ 103,100
Accrued expenses	73,606
Accrued salaries and taxes	88,863
Deferred revenue	<u>61,726</u>
TOTAL CURRENT LIABILITIES	327,295
NET ASSETS:	
Unrestricted	(70,730)
Temporarily restricted	<u>38,887</u>
TOTAL NET ASSETS	<u>(31,843)</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 295,452</u>

See notes to financial statements.

SPAY NEUTER PROJECT OF LOS ANGELES, INC.

STATEMENT OF ACTIVITIES

FIVE MONTHS DECEMBER 31, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
SUPPORT:			
Grants	\$ 131,545	\$ -	\$ 131,545
Contributions	37,382	-	37,382
Net assets released from restrictions	<u>33,994</u>	<u>(33,994)</u>	<u>-</u>
	202,921	(33,994)	168,927
REVENUE:			
Program service revenue	946,510	-	946,510
Other	<u>34</u>	<u>-</u>	<u>34</u>
	<u>946,544</u>	<u>-</u>	<u>946,544</u>
TOTAL SUPPORT AND REVENUE	1,149,465	(33,994)	1,115,471
EXPENSES:			
Program	1,190,376	-	1,190,376
Management and general	112,287	-	112,287
Fundraising	<u>47,121</u>	<u>-</u>	<u>47,121</u>
	<u>1,349,784</u>	<u>-</u>	<u>1,349,784</u>
CHANGE IN NET ASSETS	(200,319)	(33,994)	(234,313)
NET ASSETS - BEGINNING OF YEAR	<u>129,589</u>	<u>72,881</u>	<u>202,470</u>
NET ASSETS - END OF YEAR	<u>\$ (70,730)</u>	<u>\$ 38,887</u>	<u>\$ (31,843)</u>

See notes to financial statements.

SPAY NEUTER PROJECT OF LOS ANGELES, INC.

STATEMENT OF CASH FLOWS

FIVE MONTHS ENDED DECEMBER 31, 2013

	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	\$ (234,313)
Adjustments to reconcile change in net assets to cash provided by operating activities:	
Depreciation	4,515
Change in accounts receivable	19,602
Change in prepaid expenses	35,852
Change in other current assets	(8,957)
Change in accounts payable	69,483
Change in accrued expenses	(59,365)
Change in deferred revenue	<u>(48,652)</u>
NET CASH USED BY OPERATING ACTIVITIES	(221,835)
CASH FLOWS FROM INVESTING ACTIVITIES:	
No activity to report	<u>-</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	-
CASH FLOWS FROM FINANCING ACTIVITIES:	
No activity to report	<u>-</u>
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>-</u>
NET CHANGE IN CASH	(221,835)
CASH AND CASH EQUIVALENTS:	
Beginning of year	<u>367,063</u>
End of year	<u>\$ 145,228</u>
SUPPLEMENTAL CASH FLOW INFORMATION:	
No activity to report	<u>\$ -</u>

See notes to financial statements.

SPAY NEUTER PROJECT OF LOS ANGELES, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FIVE MONTHS DECEMBER 31, 2013

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and wages	\$ 601,768	\$ 70,796	\$ 35,398	\$ 707,962
Payroll taxes	50,363	5,925	2,962	59,250
Employee benefits	15,067	1,773	886	17,726
Worker compensation	4,628	545	272	5,445
Outside services	126,147	-	-	126,147
Legal and professional	-	4,654	-	4,654
Medical and surgical supplies	285,202	-	-	285,202
Animal care supplies	5,436	-	-	5,436
Minor equipment purchases	7,202	-	-	7,202
Telephone	5,896	694	347	6,937
Auto expense	1,513	-	-	1,513
Repairs and maintenance	5,688	-	-	5,688
Recruitment and training	741	-	-	741
Other staff expense	2,829	-	-	2,829
Development expense	-	-	3,052	3,052
Insurance	14,069	1,655	828	16,552
Depreciation	4,516	-	-	4,516
Payroll processing	1,935	228	113	2,276
Janitorial supplies	3,503	-	-	3,503
Office supplies	6,519	767	383	7,669
Software expense	2,553	-	-	2,553
Rent	30,649	3,606	1,803	36,058
Utilities and telecommunications	4,460	525	262	5,247
Permits and licenses	-	2,233	-	2,233
Equipment leases	458	-	-	458
Staff travel	600	-	-	600
Web development	485	-	484	969
Bank service charges	-	18,131	-	18,131
Credit card fees	-	92	-	92
Printing and postage	4,205	495	247	4,947
Messengers and delivery	1,431	168	84	1,683
Sales tax	2,513	-	-	2,513
TOTAL EXPENSES	\$ 1,190,376	\$ 112,287	\$ 47,121	\$ 1,349,784

See notes to financial statements.

SPAY NEUTER PROJECT OF LOS ANGELES, INC.**NOTES TO FINANCIAL STATEMENTS****FIVE MONTHS ENDED DECEMBER 31, 2013****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.

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****FIVE MONTHS ENDED DECEMBER 31, 2013****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

FIVE MONTHS ENDED DECEMBER 31, 2013

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

REVENUE RECOGNITION:

Contributions, including unconditional promises to give, are recognized in the period received. Conditional promises are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met.

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support.

IN-KIND CONTRIBUTIONS:

The Organization reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support.

DONATED SERVICES:

Contributions of services are recognized if the services received (a) create or enhance non-financial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

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 – PROPERTY AND EQUIPMENT:

The major categories of property and equipment as of December 31, 2013 are summarized as follows:

	<u>2013</u>
Leasehold improvements	\$ 249,830
Furniture, fixtures and equipment	<u>134,326</u>
	384,156
Less accumulated depreciation	<u>376,808</u>
	<u>\$ 7,348</u>

SPAY NEUTER PROJECT OF LOS ANGELES, INC.

NOTES TO FINANCIAL STATEMENTS

FIVE MONTHS ENDED DECEMBER 31, 2013

NOTE D – TEMPORARILY RESTRICTED NET ASSETS:

Temporarily restricted net assets are available for the following purposes as of December 31, 2013:

	<u>2013</u>
PetSmart Charities	\$ 25,638
Pitbull Grant	9,901
Blackbaud Grant	<u>3,348</u>
	<u>\$ 38,887</u>

NOTE E – LEASE COMMITMENT:

The Organization leases a facility under a long-term non-cancelable operating lease agreement. The lease expires in June 2018 and requires payment of common area maintenance costs. Rent expense including common area maintenance costs for the five months ended December 31, 2013 was \$36,058.

Effective April 17, 2014, the Organization entered into a non-cancelable operating lease agreement for rental of a copier. The lease expires in April 2019 and requires minimum monthly payments of \$227.

Future minimum lease payments under these leases are as follows:

Year ending December 31,:	<u>Facility</u>	<u>Copier</u>	<u>Total</u>
2014	\$ 72,512	\$ 2,042	\$ 74,554
2015	74,777	2,723	77,500
2016	77,132	2,723	79,855
2017	79,581	2,723	82,304
2018	40,414	2,723	43,137
2019	<u>-</u>	<u>681</u>	<u>681</u>
	<u>\$ 344,416</u>	<u>\$ 13,615</u>	<u>\$ 358,031</u>

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.

SPAY NEUTER PROJECT OF LOS ANGELES, INC.**NOTES TO FINANCIAL STATEMENTS****FIVE MONTHS ENDED DECEMBER 31, 2013****NOTE F – CONTINGENCIES:**

Certain grant agreements may be subject to audit by funding sources. These audits may result in funding reimbursement requests if the grant agreement stipulations are not fulfilled. Management believes that it is in compliance with all such agreements. Accordingly, no amounts have been provided in the accompanying financial statements for these potential claims.

NOTE G – LITIGATION:

The Organization is the defendant in various ongoing lawsuits filed by former employees for alleged unfair compensation practices. As of December 31, 2013, two of these cases resulted in unfavorable preliminary Labor Relations Board findings. The Organization appealed these findings. The appeals became final April 1, 2014 resulting in settlement payments of \$18,000 not covered by the Organization's insurance. Included in accrued expenses as of December 31, 2013 is an \$18,000 allowance to provide for these settlements.

NOTE H – SUBSEQUENT EVENTS:

Management has evaluated subsequent events for possible recognition or disclosure through the date the financial statements were available to be distributed, April 15, 2015. There were no subsequent events that required recognition or disclosure other than as discussed in Note G - Litigation.