

**SPAY NEUTER PROJECT OF LOS ANGELES, INC.**

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

**DECEMBER 31, 2014**

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## 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, 2014 and the related statements of activities, cash flows and functional expenses 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.

### 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, 2014, 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.

A handwritten signature in black ink that reads "Arndt Consulting, LLC".

Arndt Consulting, LLC  
October 9, 2015  
Brookfield, WI

## SPAY NEUTER PROJECT OF LOS ANGELES, INC.

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2014

	<u>2014</u>
<u>ASSETS</u>	
CURRENT ASSETS:	
Cash and cash equivalents	\$ 93,857
Accounts receivable	100,049
Prepaid expenses	15,902
Other current assets	<u>6,153</u>
TOTAL CURRENT ASSETS	215,961
PROPERTY AND EQUIPMENT:	
Property and equipment	409,073
Accumulated depreciation	<u>(386,690)</u>
NET PROPERTY AND EQUIPMENT	22,383
OTHER ASSETS:	
Security deposits	<u>10,230</u>
TOTAL ASSETS	<u><u>\$ 248,574</u></u>
<u>LIABILITIES AND NET ASSETS</u>	
CURRENT LIABILITIES:	
Accounts payable	\$ 413,339
Accrued expenses	47,335
Accrued salaries and taxes	109,411
Line of credit	<u>20,000</u>
TOTAL CURRENT LIABILITIES	590,085
NET ASSETS:	
Unrestricted	(344,011)
Temporarily restricted	<u>2,500</u>
TOTAL NET ASSETS	<u>(341,511)</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 248,574</u></u>

See notes to financial statements.

**SPAY NEUTER PROJECT OF LOS ANGELES, INC.**
**STATEMENT OF ACTIVITIES**
**YEAR ENDED DECEMBER 31, 2014**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
SUPPORT:			
Grants	\$ 222,505	\$ 2,500	\$ 225,005
Contributions	152,431	-	152,431
Net assets released from restrictions	<u>38,887</u>	<u>(38,887)</u>	<u>-</u>
	413,823	(36,387)	377,436
REVENUE:			
Program service revenue	<u>2,647,299</u>	<u>-</u>	<u>2,647,299</u>
	<u>2,647,299</u>	<u>-</u>	<u>2,647,299</u>
TOTAL SUPPORT AND REVENUE	3,061,122	(36,387)	3,024,735
EXPENSES:			
Program	2,894,127	-	2,894,127
Management and general	270,335	-	270,335
Fundraising	<u>169,941</u>	<u>-</u>	<u>169,941</u>
	<u>3,334,403</u>	<u>-</u>	<u>3,334,403</u>
CHANGE IN NET ASSETS	(273,281)	(36,387)	(309,668)
NET ASSETS - BEGINNING OF YEAR	<u>(70,730)</u>	<u>38,887</u>	<u>(31,843)</u>
NET ASSETS - END OF YEAR	<u>\$ (344,011)</u>	<u>\$ 2,500</u>	<u>\$ (341,511)</u>

See notes to financial statements.

## SPAY NEUTER PROJECT OF LOS ANGELES, INC.

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2014

	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	\$ (309,668)
Adjustments to reconcile change in net assets to cash provided by operating activities:	
Depreciation	9,882
Change in accounts receivable	(25,289)
Change in prepaid expenses	31,958
Change in other current assets	3,873
Change in accounts payable	310,239
Change in accrued expenses	(5,723)
Change in deferred revenue	<u>(61,726)</u>
NET CASH USED BY OPERATING ACTIVITIES	(46,454)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchase of property and equipment	<u>(24,917)</u>
NET CASH USED BY INVESTING ACTIVITIES	(24,917)
CASH FLOWS FROM FINANCING ACTIVITIES:	
Proceeds from line of credit	<u>20,000</u>
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>20,000</u>
NET CHANGE IN CASH	(51,371)
CASH AND CASH EQUIVALENTS:	
Beginning of year	<u>145,228</u>
End of year	<u><u>\$ 93,857</u></u>
SUPPLEMENTAL CASH FLOW INFORMATION:	
No activity to report	<u><u>\$ -</u></u>

See notes to financial statements.

# SPAY NEUTER PROJECT OF LOS ANGELES, INC.

## STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2014

	Program	Management and General	Fundraising	Total
Salaries and wages	\$ 1,324,540	\$ 155,828	\$ 77,914	\$ 1,558,282
Payroll taxes	118,697	13,964	6,983	139,644
Employee benefits	130,448	15,347	7,673	153,468
Worker compensation	36,269	4,267	2,133	42,669
Outside services	202,050	-	-	202,050
Legal and professional	-	7,258	-	7,258
Medical and surgical supplies	729,183	-	-	729,183
Animal care supplies	70,618	-	-	70,618
Minor equipment purchases	10,313	-	-	10,313
Telephone	15,294	1,799	900	17,993
Auto expense	4,578	-	-	4,578
Repairs and maintenance	5,567	-	-	5,567
Recruitment and training	2,413	-	-	2,413
Other staff expense	16,088	-	-	16,088
Development expense	-	-	63,003	63,003
Insurance	23,843	2,805	1,403	28,051
Depreciation	9,882	-	-	9,882
Payroll processing	7,660	901	451	9,012
Janitorial supplies	37,895	-	-	37,895
Office supplies	27,531	3,239	1,619	32,389
Software expense	3,451	-	-	3,451
Rent	64,704	7,612	3,806	76,122
Utilities and telecommunications	11,728	1,380	690	13,798
Permits and licenses	-	2,024	-	2,024
Equipment leases	17,928	-	-	17,928
Web development	2,909	-	2,909	5,818
Bank and credit card charges	-	52,842	-	52,842
Interest expense	-	154	-	154
Alarm system	354	42	21	417
Printing and postage	4,113	484	242	4,839
Messengers and delivery	3,302	389	194	3,885
Sales tax	12,769	-	-	12,769
<b>TOTAL EXPENSES</b>	<b>\$ 2,894,127</b>	<b>\$ 270,335</b>	<b>\$ 169,941</b>	<b>\$ 3,334,403</b>

See notes to financial statements.



**SPAY NEUTER PROJECT OF LOS ANGELES, INC.****NOTES TO FINANCIAL STATEMENTS****YEAR ENDED DECEMBER 31, 2014****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 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****YEAR ENDED DECEMBER 31, 2014****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

YEAR ENDED DECEMBER 31, 2014

### 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, 2014 are summarized as follows:

	<u>2014</u>
Leasehold improvements	\$ 249,830
Furniture, fixtures and equipment	<u>159,243</u>
	409,073
Less accumulated depreciation	<u>386,690</u>
	<u>\$ 22,383</u>

## SPAY NEUTER PROJECT OF LOS ANGELES, INC.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2014

NOTE D – TEMPORARILY RESTRICTED NET ASSETS:

Temporarily restricted net assets are available for the following purposes as of December 31, 2014:

	<u>2014</u>
Free Love Animal Rescue	\$ 2,500

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 year ended December 31, 2014 was \$76,122.

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>
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>\$ 271,904</u>	<u>\$ 11,573</u>	<u>\$ 283,477</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.

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.

**SPAY NEUTER PROJECT OF LOS ANGELES, INC.****NOTES TO FINANCIAL STATEMENTS****YEAR ENDED DECEMBER 31, 2014****NOTE G – LITIGATION:**

The Organization is the defendant in various lawsuits filed by former employees for alleged unfair compensation practices. As of December 31, 2014, 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. No allowances have been provided in the accompanying financial statements for additional settlements that may arise from these lawsuits.

**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, October 9, 2015. There were no subsequent events that required recognition or disclosure.