

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

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

**DECEMBER 31, 2016**

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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, 2016 and 2015 and the related statements of activities, cash flows and functional expenses 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 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, 2016 and 2015, 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.



Arndt Consulting, LLC  
September 30, 2017  
Brookfield, WI

## SPAY NEUTER PROJECT OF LOS ANGELES, INC.

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<u>ASSETS</u>		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 94,354	\$ 63,990
Accounts receivable - net	42,267	74,998
Grant receivable	404,000	140,000
Prepaid and other current assets	18,662	20,594
	<hr/>	<hr/>
TOTAL CURRENT ASSETS	559,283	299,582
PROPERTY AND EQUIPMENT:		
Property and equipment	418,153	418,153
Accumulated depreciation	(404,281)	(394,981)
	<hr/>	<hr/>
NET PROPERTY AND EQUIPMENT	13,872	23,172
OTHER ASSETS:		
Security deposits	7,230	10,230
	<hr/>	<hr/>
TOTAL ASSETS \$	<u>580,385</u>	<u>\$ 332,984</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES:		
Accounts payable	\$ 476,015	\$ 453,812
Accrued expenses	5,448	6,874
Accrued salaries and taxes	111,340	91,151
Deferred income	23,747	139,620
Line of credit	17,197	17,365
	<hr/>	<hr/>
TOTAL CURRENT LIABILITIES	633,747	708,822
NET ASSETS:		
Unrestricted	(419,087)	(375,838)
Temporarily restricted	365,725	-
	<hr/>	<hr/>
TOTAL NET ASSETS	<u>(53,362)</u>	<u>(375,838)</u>
TOTAL LIABILITIES AND NET ASSETS \$	<u>580,385</u>	<u>\$ 332,984</u>

See notes to financial statements.

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

**STATEMENT OF ACTIVITIES**

**YEAR ENDED DECEMBER 31, 2016**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>SUPPORT:</b>			
Grants	\$ 661,190	\$ 365,725	\$ 1,026,915
Contributions	68,216	-	68,216
Net assets released from restrictions	-	-	-
	<u>729,406</u>	<u>365,725</u>	<u>1,095,131</u>
<b>REVENUE:</b>			
Program service revenue	<u>2,263,464</u>	<u>-</u>	<u>2,263,464</u>
	<u>2,263,464</u>	<u>-</u>	<u>2,263,464</u>
<b>TOTAL SUPPORT AND REVENUE</b>	<b>2,992,870</b>	<b>365,725</b>	<b>3,358,595</b>
<b>EXPENSES:</b>			
Program	2,680,763	-	2,680,763
Management and general	257,810	-	257,810
Fundraising	97,546	-	97,546
	<u>3,036,119</u>	<u>-</u>	<u>3,036,119</u>
<b>CHANGE IN NET ASSETS</b>	<b>(43,249)</b>	<b>365,725</b>	<b>322,476</b>
<b>NET ASSETS - BEGINNING OF YEAR</b>	<u><b>(375,838)</b></u>	<u><b>-</b></u>	<u><b>(375,838)</b></u>
<b>NET ASSETS - END OF YEAR</b>	<u><u><b>\$ (419,087)</b></u></u>	<u><u><b>\$ 365,725</b></u></u>	<u><u><b>\$ (53,362)</b></u></u>

See notes to financial statements.

**SPAY NEUTER PROJECT OF LOS ANGELES, INC.**
**STATEMENT OF ACTIVITIES**
**YEAR ENDED DECEMBER 31, 2015**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>SUPPORT:</b>			
Grants	\$ 335,404	\$ -	\$ 335,404
Contributions	115,540	-	115,540
Net assets released from restrictions	<u>2,500</u>	<u>(2,500)</u>	<u>-</u>
	453,444	(2,500)	450,944
<b>REVENUE:</b>			
Program service revenue	<u>2,682,296</u>	<u>-</u>	<u>2,682,296</u>
	<u>2,682,296</u>	<u>-</u>	<u>2,682,296</u>
<b>TOTAL SUPPORT AND REVENUE</b>	<b>3,135,740</b>	<b>(2,500)</b>	<b>3,133,240</b>
<b>EXPENSES:</b>			
Program	2,814,225	-	2,814,225
Management and general	258,646	-	258,646
Fundraising	<u>94,696</u>	<u>-</u>	<u>94,696</u>
	<u>3,167,567</u>	<u>-</u>	<u>3,167,567</u>
<b>CHANGE IN NET ASSETS</b>	<b>(31,827)</b>	<b>(2,500)</b>	<b>(34,327)</b>
<b>NET ASSETS - BEGINNING OF YEAR</b>	<u>(344,011)</u>	<u>2,500</u>	<u>(341,511)</u>
<b>NET ASSETS - END OF YEAR</b>	<u><u>\$ (375,838)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (375,838)</u></u>

See notes to financial statements.

**SPAY NEUTER PROJECT OF LOS ANGELES, INC.**
**STATEMENT OF CASH FLOWS**
**YEARS ENDED DECEMBER 31, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 322,476	\$ (34,327)
Adjustments to reconcile change in net assets to cash provided by operating activities:		
Depreciation	9,300	8,291
Change in accounts receivable	32,731	25,051
Change in grants receivable	(264,000)	(140,000)
Change in prepaid and other current assets	1,932	1,461
Change in security deposits	3,000	-
Change in accounts payable	22,203	40,473
Change in accrued expenses	18,763	(58,721)
Change in deferred revenue	<u>(115,873)</u>	<u>139,620</u>
NET CASH PROVIDED/(USED) BY OPERATING ACTIVITIES	30,532	(18,152)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of property and equipment	<u>-</u>	<u>(9,080)</u>
NET CASH USED BY INVESTING ACTIVITIES	-	(9,080)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Net repayment on line of credit	<u>(168)</u>	<u>(2,635)</u>
NET CASH USED BY FINANCING ACTIVITIES	<u>(168)</u>	<u>(2,635)</u>
NET CHANGE IN CASH	30,364	(29,867)
<b>CASH AND CASH EQUIVALENTS:</b>		
Beginning of year	<u>63,990</u>	<u>93,857</u>
End of year	<u>\$ 94,354</u>	<u>\$ 63,990</u>
<b>SUPPLEMENTAL CASH FLOW INFORMATION:</b>		
Cash paid for interest	<u>\$ 4,669</u>	<u>\$ 1,901</u>

See notes to financial statements.

**SPAY NEUTER PROJECT OF LOS ANGELES, INC.**
**STATEMENT OF FUNCTIONAL EXPENSES**
**YEAR ENDED DECEMBER 31, 2016**

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and wages	\$ 1,180,466	\$ 138,878	\$ 69,440	\$ 1,388,784
Payroll taxes	105,084	12,363	6,181	123,628
Employee benefits	132,817	15,626	7,812	156,255
Worker compensation	48,236	5,675	2,837	56,748
Outside services	415,790	-	-	415,790
Legal and professional	-	8,700	-	8,700
Medical and surgical supplies	531,354	-	-	531,354
Animal care supplies	45,040	-	-	45,040
Minor equipment purchases	1,717	-	-	1,717
Telephone	15,298	1,800	900	17,998
Auto expense	15,358	-	-	15,358
Repairs and maintenance	15,352	-	-	15,352
Recruitment and training	1,619	-	-	1,619
Other staff expense	7,271	-	-	7,271
Development expense	-	-	1,884	1,884
Insurance	6,616	778	390	7,784
Depreciation	9,300	-	-	9,300
Payroll processing	5,446	641	320	6,407
Janitorial supplies	4,485	-	-	4,485
Office supplies	19,377	2,280	1,139	22,796
Software expense	6,639	-	-	6,639
Rent	69,395	8,164	4,082	81,641
Utilities and telecommunications	10,487	1,234	617	12,338
Permits and licenses	-	1,862	-	1,862
Equipment leases	27,161	-	-	27,161
Travel	-	-	-	-
Web development	1,663	-	1,662	3,325
Bank and credit card charges	-	54,576	-	54,576
Interest expense	-	4,669	-	4,669
Alarm system	116	14	7	137
Printing and postage	4,389	516	258	5,163
Messengers and delivery	287	34	17	338
<b>TOTAL EXPENSES</b>	<b><u>\$ 2,680,763</u></b>	<b><u>\$ 257,810</u></b>	<b><u>\$ 97,546</u></b>	<b><u>\$ 3,036,119</u></b>

See notes to financial statements.

**SPAY NEUTER PROJECT OF LOS ANGELES, INC.**
**STATEMENT OF FUNCTIONAL EXPENSES**
**YEAR ENDED DECEMBER 31, 2015**

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and wages	\$ 1,118,299	\$ 131,565	\$ 65,782	\$ 1,315,646
Payroll taxes	104,581	12,304	6,152	123,037
Employee benefits	101,917	11,990	5,995	119,902
Worker compensation	44,131	5,192	2,596	51,919
Outside services	437,241	-	-	437,241
Legal and professional	-	14,738	-	14,738
Medical and surgical supplies	712,390	-	-	712,390
Animal care supplies	44,170	-	-	44,170
Minor equipment purchases	3,605	-	-	3,605
Telephone	17,185	2,022	1,011	20,218
Auto expense	6,881	-	-	6,881
Repairs and maintenance	6,358	-	-	6,358
Recruitment and training	939	-	-	939
Other staff expense	7,849	-	-	7,849
Development expense	-	-	1,649	1,649
Insurance	8,485	998	499	9,982
Depreciation	8,291	-	-	8,291
Payroll processing	5,341	628	315	6,284
Janitorial supplies	7,153	-	-	7,153
Office supplies	13,034	1,533	767	15,334
Software expense	1,727	-	-	1,727
Rent	66,205	7,789	3,894	77,888
Utilities and telecommunications	11,554	1,359	680	13,593
Permits and licenses	-	831	-	831
Equipment leases	33,785	-	-	33,785
Travel	3,404	401	200	4,005
Web development	4,564	-	4,564	9,128
Bank and credit card charges	-	64,210	-	64,210
Interest expense	-	1,901	-	1,901
Alarm system	841	99	49	989
Printing and postage	4,712	554	278	5,544
Messengers and delivery	4,519	532	265	5,316
Sales tax	77	-	-	77
Allowance for doubtful accounts	34,987	-	-	34,987
<b>TOTAL EXPENSES</b>	<b>\$ 2,814,225</b>	<b>\$ 258,646</b>	<b>\$ 94,696</b>	<b>\$ 3,167,567</b>

See notes to financial statements.

**SPAY NEUTER PROJECT OF LOS ANGELES, INC.****NOTES TO FINANCIAL STATEMENTS****YEARS ENDED DECEMBER 31, 2016 and 2015****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:**

The Organization grants trade credit to its customers. Accounts receivable are valued at management's estimate of amounts that will ultimately be collected based on historical collectability data. The allowance for doubtful accounts based on specific identification was \$-0- and \$34,987 as of December 31, 2016 and 2015, respectively. 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 DECEMBER 31, 2016 and 2015****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. Depreciation expense was \$9,300 and \$8,291 for the years ended December 31, 2016 and 2015, respectively.

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

**NOTES TO FINANCIAL STATEMENTS**

**YEARS ENDED DECEMBER 31, 2016 and 2015**

**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, 2016 and 2015 are summarized as follows:

	<u>2016</u>	<u>2015</u>
Leasehold improvements	\$ 249,830	\$ 249,830
Furniture, fixtures and equipment	<u>168,323</u>	<u>168,323</u>
	418,153	418,153
Less accumulated depreciation	<u>404,281</u>	<u>394,981</u>
	<u>\$ 13,872</u>	<u>\$ 23,172</u>

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

**NOTES TO FINANCIAL STATEMENTS**

**YEARS ENDED DECEMBER 31, 2016 and 2015**

**NOTE D – LINE OF CREDIT:**

The Organization has a \$20,000 revolving line of credit with a bank. The principal balance on the line of credit as of December 31, 2016 and 2015 was \$17,197 and \$17,365. The underlying note bears interest at 10.50%, is due January 2017, automatically renewable in one year increments and unsecured.

**NOTE E – TEMPORARILY RESTRICTED NET ASSETS:**

Temporarily restricted net assets were available for the following purposes as of December 31, 2016:

	<u>2016</u>
Best Friends grant for 2017 operations	\$ 342,000
Best Friends grant for 2017 NKLA	<u>23,725</u>
	<u>\$ 365,725</u>

**NOTE F – CONCENTRATION OF REVENUE:**

The Organization receives a substantial portion of its support and revenue from a limited number of sources. For the year ended December 31, 2016, one source accounted for 18.13% of total revenue and support. Grants receivable from this source at December 31, 2016 was \$294,000.

**NOTE G – LEASE COMMITMENT:**

The Organization leases its Pico facility under a long-term non-cancelable operating lease agreement. The lease expires in June 2018 and requires payment of common area maintenance costs in addition to rent. Rent expense including common area maintenance costs for the years ended December 31, 2016 and 2015 was \$77,652 and \$74,776 respectively.

The Organization leases two separate storage spaces on a month-to-month basis. Included in rent expense for these spaces is \$3,989 and \$3,112 respectively for the years ended December 31, 2016 and 2015.

The Organization leases equipment through two separate operating leases which run through December 2020. Aggregate monthly payments are \$2,177 through March 2019 and \$1,950 thereafter through December 2020. Included in equipment lease expense for this equipment is \$27,161 and \$33,785 respectively for the years ended December 31, 2016 and 2015.

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

**NOTES TO FINANCIAL STATEMENTS**

**YEARS ENDED DECEMBER 31, 2016 and 2015**

**NOTE G – LEASE COMMITMENT (CONTINUED):**

Future minimum lease payments under the above leases are as follows:

Year ending December 31:	<u>Facility</u>	<u>Equipment</u>	<u>Total</u>
2017	\$ 79,581	\$ 26,123	\$ 105,704
2018	40,414	26,123	66,537
2019	-	24,081	24,081
2020	-	23,400	23,400
	<u>\$ 119,995</u>	<u>\$ 99,727</u>	<u>\$ 219,722</u>

Additionally, the Organization leases space that is owned by the City of Los Angeles for the operation of its Harbor and Van Nuys facilities. 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. The Van Nuys lease terminated in August 2016 and Harbor lease runs through December 31, 2017 with automatic one-year extensions through December 31, 2020.

The Organization leases its Mission Hills facility on a month-to-month basis. The space is provided in exchange for \$3,000 in diagnostics services per month. For the year ended December 31, 2016, in-kind rent expense was deemed to be \$12,000 and offset by a corresponding amount in in-kind contributions.

**NOTE H- 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 I – SUBSEQUENT EVENTS:**

Management has evaluated subsequent events for possible recognition or disclosure through the date the financial statements were available to be distributed, September 30, 2017. There were no subsequent events that required recognition or disclosure.