

SPAY NEUTER PROJECT OF LOS ANGELES, INC.

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

DECEMBER 31, 2021

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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, 2021 and 2020 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, 2021 and 2020, 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
May 3, 2022
Brookfield, WI**

SPAY NEUTER PROJECT OF LOS ANGELES, INC.



STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2021 and 2020

<u>ASSETS</u>	<u>2021</u>	<u>2020</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 2,440,456	\$ 1,257,894
Accounts receivable - net	84,959	87,974
Prepaid and other current assets	26,575	18,526
	<hr/>	<hr/>
TOTAL CURRENT ASSETS	2,551,990	1,364,394
PROPERTY AND EQUIPMENT:		
Property and equipment	516,925	503,954
Accumulated depreciation	(473,060)	(454,374)
	<hr/>	<hr/>
NET PROPERTY AND EQUIPMENT	43,865	49,580
OTHER ASSETS:		
Security deposits	3,000	3,000
	<hr/>	<hr/>
TOTAL ASSETS \$	<u>2,598,855</u>	<u>\$ 1,416,974</u>
 <u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES:		
Accounts payable	\$ 62,376	\$ 52,133
Accrued expenses	543	4,717
Accrued salaries and payroll taxes	196,742	183,531
Deferred income	313,255	87,735
Notes payable - short-term	548	334,807
	<hr/>	<hr/>
TOTAL CURRENT LIABILITIES	573,464	662,923
NOTES PAYABLE - LONG-TERM	156,120	301,830
NET ASSETS:		
Without donor restrictions	1,869,271	452,221
With donor restrictions	-	-
	<hr/>	<hr/>
TOTAL NET ASSETS	<u>1,869,271</u>	<u>452,221</u>
TOTAL LIABILITIES AND NET ASSETS \$	<u>2,598,855</u>	<u>\$ 1,416,974</u>

See notes to financial statements.

SPAY NEUTER PROJECT OF LOS ANGELES, INC.**STATEMENT OF ACTIVITIES****YEAR ENDED DECEMBER 31, 2021**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
SUPPORT:			
Grants	\$ 752,795	\$ -	\$ 752,795
Debt forgiveness	481,399	-	481,399
Contributions	201,040	-	201,040
Net assets released from restrictions	-	-	-
	<u>1,435,234</u>	<u>-</u>	<u>1,435,234</u>
REVENUE:			
Program service revenue	<u>5,121,769</u>	<u>-</u>	<u>5,121,769</u>
	<u>5,121,769</u>	<u>-</u>	<u>5,121,769</u>
TOTAL SUPPORT AND REVENUE	6,557,003	-	6,557,003
EXPENSES:			
Program	4,369,220	-	4,369,220
Management and general	570,793	-	570,793
Fundraising	199,940	-	199,940
	<u>5,139,953</u>	<u>-</u>	<u>5,139,953</u>
CHANGE IN NET ASSETS	1,417,050	-	1,417,050
NET ASSETS - BEGINNING OF YEAR	<u>452,221</u>	<u>-</u>	<u>452,221</u>
NET ASSETS - END OF YEAR	<u>\$ 1,869,271</u>	<u>\$ -</u>	<u>\$ 1,869,271</u>

See notes to financial statements.

SPAY NEUTER PROJECT OF LOS ANGELES, INC.



STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
SUPPORT:			
Grants	\$ 722,532	\$ -	\$ 722,532
Contributions	120,154	-	120,154
Net assets released from restrictions	<u>-</u>	<u>-</u>	<u>-</u>
	842,686	-	842,686
REVENUE:			
Program service revenue	<u>3,850,399</u>	<u>-</u>	<u>3,850,399</u>
	<u>3,850,399</u>	<u>-</u>	<u>3,850,399</u>
TOTAL SUPPORT AND REVENUE	4,693,085	-	4,693,085
EXPENSES:			
Program	3,754,593	-	3,754,593
Management and general	466,201	-	466,201
Fundraising	<u>223,097</u>	<u>-</u>	<u>223,097</u>
	<u>4,443,891</u>	<u>-</u>	<u>4,443,891</u>
CHANGE IN NET ASSETS	249,194	-	249,194
NET ASSETS - BEGINNING OF YEAR	<u>203,027</u>	<u>-</u>	<u>203,027</u>
NET ASSETS - END OF YEAR	<u><u>\$ 452,221</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 452,221</u></u>

See notes to financial statements.

SPAY NEUTER PROJECT OF LOS ANGELES, INC.
STATEMENT OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 1,417,050	\$ 249,194
Adjustments to reconcile change in net assets to cash provided by operating activities:		
Depreciation	18,686	15,753
Change in accounts receivable	3,015	(13,178)
Change in grants receivable		10,250
Change in prepaid and other current assets	(8,049)	(8,043)
Change in accounts payable	10,243	6,660
Change in accrued expenses	10,467	27,481
Change in deferred revenue	<u>225,520</u>	<u>83,635</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,676,932	371,752
CASH FLOWS FROM INVESTING ACTIVITIES:		
Equipment and furniture purchases	<u>(12,971)</u>	<u>(39,621)</u>
NET CASH USED BY INVESTING ACTIVITIES	(12,971)	(39,621)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net proceeds/(debt forgiveness) notes payable	<u>(481,399)</u>	<u>636,637</u>
NET CASH PROVIDED/(USED) BY FINANCING ACTIVITIES	(481,399)	636,637
NET CHANGE IN CASH	1,182,562	968,768
CASH AND CASH EQUIVALENTS:		
Beginning of year	<u>1,257,894</u>	<u>289,126</u>
End of year	<u><u>\$ 2,440,456</u></u>	<u><u>\$ 1,257,894</u></u>
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid for interest	<u><u>\$ -</u></u>	<u><u>\$ 2,516</u></u>

See notes to financial statements.

SPAY NEUTER PROJECT OF LOS ANGELES, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2021

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries, wages and per diems	\$ 2,548,001	\$ 299,765	\$ 149,882	\$ 2,997,648
Payroll taxes	185,904	21,871	10,935	218,710
Employee benefits	162,166	19,078	9,540	190,784
Worker compensation	30,371	3,573	1,787	35,731
Outside services	4,250	500	250	5,000
Legal and professional	-	11,750	-	11,750
Medical and surgical supplies	1,001,247	-	-	1,001,247
Animal care supplies	54,921	-	-	54,921
Office expense	37,908	4,460	2,230	44,598
Minor equipment purchases	41,562	-	-	41,562
Telephone	19,579	2,303	1,152	23,034
Auto expense	5,370	-	-	5,370
Repairs and maintenance	43,080	-	-	43,080
Recruitment and training	23,922	-	-	23,922
Other staff expense	57,616	-	-	57,616
Development expense	-	-	18,338	18,338
Insurance	22,824	2,685	1,343	26,852
Depreciation	18,686	-	-	18,686
Retirement plan contribution	8,045	947	473	9,465
Payroll processing	7,881	927	464	9,272
Janitorial supplies	7,748	-	-	7,748
Software expense	24,599	-	-	24,599
Rent	41,955	4,936	2,468	49,359
Utilities and telecom	2,169	255	128	2,552
Permits and licenses	-	6,301	-	6,301
Equipment leases	3,582	-	-	3,582
Web development	86	-	86	172
Bank and credit card charges	-	185,670	-	185,670
Interest and finance fees	-	4,044	-	4,044
Alarm system	6,470	761	381	7,612
Printing and postage	8,216	967	483	9,666
Receivable write-offs	1,062	-	-	1,062
TOTAL EXPENSES	\$ 4,369,220	\$ 570,793	\$ 199,940	\$ 5,139,953

See notes to financial statements.

SPAY NEUTER PROJECT OF LOS ANGELES, INC.



STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2020

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries, wages and per diems	\$ 2,281,202	\$ 268,377	\$ 134,188	\$ 2,683,767
Payroll taxes	171,151	20,135	10,068	201,354
Employee benefits	159,878	18,809	9,405	188,092
Worker compensation	47,512	5,590	2,795	55,897
Legal and professional	-	11,000	-	11,000
Medical and surgical supplies	796,907	-	-	796,907
Animal care supplies	48,136	-	-	48,136
Minor equipment purchases	20,000	-	-	20,000
Telephone	15,788	1,857	929	18,574
Auto expense	7,744	-	-	7,744
Repairs and maintenance	8,685	-	-	8,685
Recruitment and training	9,084	-	-	9,084
Other staff expense	28,413	-	-	28,413
Development expense	-	-	58,889	58,889
Insurance	22,446	2,641	1,320	26,407
Depreciation	15,753	-	-	15,753
Payroll processing	7,732	910	454	9,096
Janitorial supplies	12,925	-	-	12,925
Office supplies	26,711	3,143	1,571	31,425
Software expense	17,745	-	-	17,745
Rent	38,790	4,564	2,281	45,635
Utilities and telecom	1,253	147	74	1,474
Permits and licenses	-	6,991	-	6,991
Equipment leases	5,688	-	-	5,688
Web development	503	-	502	1,005
Bank and credit card charges	-	113,043	-	113,043
Interest and finance fees	-	7,754	-	7,754
Alarm system	6,795	799	400	7,994
Printing and postage	3,752	441	221	4,414
TOTAL EXPENSES	\$ 3,754,593	\$ 466,201	\$ 223,097	\$ 4,443,891

See notes to financial statements.

SPAY NEUTER PROJECT OF LOS ANGELES, INC.**NOTES TO FINANCIAL STATEMENTS****YEARS ENDED DECEMBER 31, 2021 and 2020****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. Program revenue is predominately received from the general public.

NATURE OF PROGRAMS:

Spay and Neuter Clinics – The Organization operates spay and neuter clinics that provide high-quality, low-cost spay, neuter and animal wellness 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. Accounts and grants receivable are charged off as uncollectible when management determines they have exhausted all reasonable collection efforts. No allowance for doubtful accounts has been provided in the accompanying financial statements because management believes the balances are fully collectible.

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, 2021 and 2020****NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):****FINANCIAL STATEMENT PRESENTATION:**

The Organization reports information regarding its financial position and activities according to two classes of net assets: Without Donor Restrictions and With Donor Restrictions.

Without Donor Restrictions – 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 net assets without donor restrictions 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.

With Donor Restrictions – 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 (b) from other asset enhancements and diminishments subject to the same kinds of stipulations, and (c) from reclassifications to (or from) net assets without restriction as a consequence of donor imposed stipulations, or their fulfillment and removal by actions of the Organization pursuant to those 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 \$18,686 and \$15,753 for the years ended December 31, 2021 and 2020, respectively.

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.

SPAY NEUTER PROJECT OF LOS ANGELES, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2021 and 2020

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

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, donor restricted net assets are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets without donor restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as support without donor restrictions.

IN-KIND CONTRIBUTIONS:

The Organization reports gifts of land, buildings, and equipment as support without donor restrictions 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 support with donor restrictions.

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, 2021 and 2020 are summarized as follows:

	<u>2021</u>	<u>2020</u>
Leasehold improvements	\$ 249,830	\$ 249,830
Furniture, fixtures and equipment	<u>267,095</u>	<u>254,124</u>
	516,925	503,954
Less accumulated depreciation	<u>473,060</u>	<u>454,374</u>
	<u>\$ 43,865</u>	<u>\$ 49,580</u>

SPAY NEUTER PROJECT OF LOS ANGELES, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2021 and 2020

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, 2021 and 2020 was \$ -0-. The underlying note bears interest at prevailing short-term rates, is unsecured and automatically renewable in one year increments.

NOTE E – NOTES PAYABLE:

	<u>2021</u>	<u>2020</u>
Note payable to bank, subject to the Paycheck Protection Program authorized by the CARES Act, interest rate at 1%, payable in periodic monthly installments with balance due May 2022 (subject to CARES Act forgiveness provisions).	\$ -	\$ 484,214
Note payable to bank, interest rate at 2.75%, secured by certain tangible and intangible personal property of the Organization. Payments due in \$641 monthly installments with the balance due May 2050.	<u>156,668</u>	<u>152,423</u>
	156,668	636,637
Less payments due within one year	<u>548</u>	<u>334,807</u>
	<u>\$ 156,120</u>	<u>\$ 301,830</u>

Future principal payments on notes payable are as follows:

2022	\$ 548
2023	3,341
2024	3,434
2025	3,530
2026	3,628
Thereafter	<u>142,187</u>
	<u>\$ 156,668</u>

SPAY NEUTER PROJECT OF LOS ANGELES, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2021 and 2020

NOTE F – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS:

The following reflects the Organization's financial assets as of the statement of financial position date, reduced by amounts not available for general use because of contractual obligations or donor-imposed restrictions within one year:

	<u>2021</u>	<u>2020</u>
Financial assets at year-end	\$ 2,525,415	\$ 1,345,868
Less those unavailable for general expenditures within one year, due to:		
Contractual obligations	-	-
Donor imposed restrictions	<u>-</u>	<u>-</u>
Financial assets available to meet general expenditures within one year	<u>\$ 2,525,415</u>	<u>\$ 1,345,868</u>

As necessary, and as part of the Organization's liquidity management, it invests cash in excess of daily requirements in short-term interest bearing bank demand accounts.

NOTE G – CONCENTRATION OF REVENUE:

The Organization may receive a substantial portion of its support and revenue from a limited number of sources. For the year ended December 31, 2021 and 2020, no single source accounted for more than 10% of total revenue and support.

NOTE H – LEASE COMMITMENTS:

The Organization leases various facilities and equipment through non-cancelable operating leases through 2024. Conditions of the leases generally require upkeep and maintenance of common areas or performance of certain services in addition to rent. Rent expense for the years ended December 31, 2021 and 2020 was \$49,359 and \$45,635.

SPAY NEUTER PROJECT OF LOS ANGELES, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2021 and 2020

NOTE I – LEASE COMMITMENT (CONTINUED):

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

Year ending December 31:

2022	2,820
2023	2,820
2024	705

NOTE J – CONTINGENCIES AND OTHER COMMITMENTS:

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 K – SUBSEQUENT EVENTS:

Management has evaluated subsequent events for possible recognition or disclosure through the date the financial statements were available to be distributed, May 3, 2022. There were no subsequent events that required recognition or disclosure.