

H.O.P.E. FOR ANIMALS, INC.

FORT WAYNE, INDIANA

**Financial Statements
and Supplementary Information**

as of December 31, 2011

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LEONARD J. ANDORFER & CO., LLP
Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
H.O.P.E. for Animals, Inc.
Fort Wayne, Indiana

We have audited the accompanying statement of financial position of H.O.P.E. for Animals, Inc. (a nonprofit organization) as of December 31, 2011, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. 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 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides 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 H.O.P.E. for Animals, Inc. as of December 31, 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Leonard J. Andorfer & Co., LLP

LEONARD J. ANDORFER & CO., LLP
Certified Public Accountants

August 9, 2012

H.O.P.E. FOR ANIMALS, INC.

Statement of Financial Position

	<u>December 31</u> <u>2011</u>
ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	\$ 54,489
Accounts receivable	3,917
Inventory	<u>18,152</u>
Total Current Assets	76,558
PROPERTY AND EQUIPMENT	
Property and equipment	62,157
Less: accumulated depreciation	(<u>32,448</u>)
Total Property and Equipment (Net)	<u>29,709</u>
TOTAL ASSETS	<u><u>\$ 106,267</u></u>

(Continued)

The Notes to Financial Statements
are an integral part of the statements.

H.O.P.E. FOR ANIMALS, INC.

Statement of Financial Position (Continued)

LIABILITIES AND NET ASSETS	<u>December 31 2011</u>
CURRENT LIABILITIES	
Accounts payable and accrued expenses	\$ 16,171
Note payable - current	<u>6,000</u>
Total Current Liabilities	22,171
LONG TERM LIABILITIES	
Note payable - net of current portion	<u>8,000</u>
TOTAL LIABILITIES	30,171
NET ASSETS	
Unrestricted	
Undesignated	46,965
Board Designated	<u>511</u>
Total Unrestricted	47,476
Temporarily restricted	28,620
Permanently restricted	<u>-</u>
Total Net Assets	<u>76,096</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 106,267</u></u>

The Notes to Financial Statements
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H.O.P.E. FOR ANIMALS, INC.

Statement of Activities For the Year Ended December 31, 2011

	Unrestricted	Temporarily Restricted	Permanently Restricted	December 31 2011 Total
REVENUE AND OTHER SUPPORT				
Revenue				
Clinic income	\$ 417,317	\$	\$	\$ 417,317
Program income	3,824			3,824
Product sales (net of C.O.G.S. of \$34,729)	38,124			38,124
Support				
Contributions	19,235	7,040		26,275
Grants	250	22,790		23,040
In-kind	143,774			143,774
Special events	24,230			24,230
Investment income	13			13
Total Revenue and Support	646,767	29,830	-	676,597
Net assets released from restrictions				
Restrictions satisfied by payments	14,494	(14,494)		-
Total Revenue, Other Support and Net Assets Released from Restrictions	661,261	15,336	-	676,597
EXPENSES				
Program services	584,600			584,600
Management and general	40,544			40,544
Fund raising	28,816			28,816
Total Expenses	653,960	-	-	653,960
CHANGE IN NET ASSETS	7,301	15,336	-	22,637
NET ASSETS - BEGINNING OF YEAR	40,175	13,284	-	53,459
NET ASSETS - END OF YEAR	\$ 47,476	\$ 28,620	\$ -	\$ 76,096

The Notes to Financial Statements
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H.O.P.E. FOR ANIMALS, INC.

Statement of Cash Flows

	For the Year Ended <u>December 31, 2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 21,827
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation	19,809
Changes in operating assets and liabilities	
Decrease in accounts receivable	558
Increase in inventory	(15,801)
Increase in accounts payable and accrued expenses	<u>8,376</u>
Net Cash Provided by Operating Activities	34,769
CASH FLOWS FROM INVESTING ACTIVITIES	
None	-
CASH FLOWS FROM FINANCING ACTIVITIES	
Payments on van loan	(5,930)
Payments on note payable	<u>(1,000)</u>
Net Cash Used For Financing Activities	<u>(6,930)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	27,839
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>26,650</u>
CASH AND CASH EQUIVALENTS- END OF YEAR	<u>\$ 54,489</u>

The Notes to Financial Statements
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NOTES TO FINANCIAL STATEMENTS

NOTE 1 - Nature of Activities

H.O.P.E. for Animals, Inc. (the Organization) is a nonprofit organization that promotes the prevention of euthanasia by providing education and outreach, adoption and foster homes, and low cost spay/neuter programs for the community. The Organization receives its funding primarily from donations from the general public, grants, and income for services provided at a low cost spay/neuter clinic.

NOTE 2 – Summary of Significant Accounting Policies

Basis of Presentation - The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted Net Assets – Net assets that are not subject to donor-imposed stipulations. Unrestricted net assets may be designated by the Board of Directors for a specific purpose.

Temporarily Restricted Net Assets – Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. When a 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. Support that is restricted by the donor is reported as an increase in net unrestricted assets if the restriction expires or is met in the reporting period in which the support is recognized.

Permanently Restricted Net Assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit H.O.P.E. for Animals, Inc. to use all or part of the income earned on any related investments for general or specific purposes.

Financial Statement Presentation - The Organization has adopted FASB ASC 958-210-45-8. Under FASB ASC 958-210-45-8, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. In addition, the Organization is required to present a statement of cash flows.

Promise to Give - Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. The organization uses the allowance method to determine uncollectible unconditional promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 2 - Summary of Significant Accounting Policies (Continued)

Contributions - The Organization has adopted FASB ASC 958-605-05. In accordance with FASB ASC 958-605-05, contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor restrictions.

Donated Materials and Services – Donated services are recognized as contributions in accordance with FASB ASC 958-605-05, if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. During the year ended December 31, 2011 there were no contributed materials and services meeting the requirements for recognition in the financial statements.

Cash and Cash Equivalents - For purposes of the statement of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Property and Equipment - Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated assets to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time. Property and equipment is depreciated using the straight-line method.

Property and equipment owned by the organization are recorded at cost with depreciation recorded on the straight-line basis over the following estimated useful lives: furniture and equipment 5 years; automobiles 5 years. Depreciation expense amounted to \$19,809 for the year ending December 31, 2011. Disposals are removed from the accounts at their original cost when identification is possible. Donated fixed assets are valued at estimated fair market value and recorded as contributed assets.

Expenditures for maintenance and repairs are charged to expense as incurred, while additions and betterments are capitalized. The cost and accumulated depreciation of property sold or otherwise disposed of are removed from the accounts, and any gain or loss is credited or charged to income.

Functional Expenses – The Organization allocates its expenses on a functional basis among its programs and support services. Expenses that can be identified with a specific program or support service are allocated directly according to their natural expenditure classification. Other expenses that are common to multiple functions are allocated by various statistical bases.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 2 - Summary of Significant Accounting Policies (Continued)

Income Taxes – The Organization is a nonprofit organization exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and qualifies for the 50% charitable contribution limitation.

The Organization has adopted FASB ASC 740-10-25, and determined no material unrecognized tax benefits or liabilities exist as of December 31, 2011. The adoption of FASB ASC 740-10-25 did not impact the Organization's financial position or results of operations. If applicable, the Organization will recognize interest and penalties related to underpayment of income taxes as income tax expense. As of December 31, 2011, the Organization had no amounts related to unrecognized income tax benefits and no amounts related to accrued interest and penalties. The Organization does not anticipate any significant changes to unrecognized income tax benefits over the next year.

Advertising Costs - Advertising and promotional program costs are charged to expense during the period in which they are incurred.

Compensated Absences - The Organization's employee base is made up of full-time and part-time employees. No liability for compensated absences has been recorded in the financial statements. Any liability that may exist is deemed immaterial.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Inventories – Inventory includes clinic supplies and items for resale and is carried at the lower of cost or market. Cost is determined by the first-in first-out method.

NOTE 3 – Concentration of Credit Risk

The Organization maintains cash balances at one financial institution. Deposits at this institution are insured by the Federal Deposit Insurance Corporation. Insured limits were permanently increased from \$100,000 to \$250,000 on July 21, 2010. No uninsured cash balances existed at December 31, 2011.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 4 - Restrictions on Assets

A reconciliation of temporarily restricted net assets follows:

	Balance at January 1 2011	Additions	Reductions	Balance at December 31 2011
ASPCA Snap Grant	\$ 3,000	\$	\$ 3,000	\$
Emilie Beard Foundation Fund	3,755	189	779	3,165
Larry's Fund	460	548	981	27
PetSmart Charities Start-up	6,069		6,069	
Hope Snap Fund		1,278	215	1,063
Kay Gregg Fund		2,000	425	1,575
PetSmart Charities - Beat the Heat		11,500		11,500
PetSmart Charities - Primp your Pit		10,000		10,000
Ryan Newman Fund		4,315	3,025	1,290
	\$ 13,284	\$ 29,830	\$ 14,494	\$ 28,620

NOTE 5 – Leases

The Organization leases office and clinic space from Parkview Health Systems, Inc. The lease dated March 1, 2010 requires \$0 lease payments through February 28, 2013. The fair market value of the space provided has been estimated by the donor at \$141,240 for the year ended December 31, 2011. This amount has been reflected in the financial statement as in-kind support and rent expense.

NOTE 6 – Note Payable

Note payable of \$14,000 as of December 31, 2011 represents an amount advanced on a clinic start up loan from a current board member. The loan document reflects \$15,000 original advance with a 0% interest rate to be repaid at a rate of \$500 per month beginning November 2011. Interest has been imputed on the note at a rate of 3%. The interest expense recognized in 2011 amounted to \$71. Future minimum debt payments for the remaining term of the loan are as follows:

Year Ended December 31	Amount
2012	\$ 6,000
2013	6,000
2014	2,000

NOTE 7 – Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through August 9, 2012, the date the financial statements were available to be issued.

**SUPPLEMENTARY
INFORMATION**

H.O.P.E. FOR ANIMALS, INC.

**Schedule of Functional Expenses
For the Year Ended December 31, 2011**

	Program Services	Management and General	Fund Raising	Total 2011 Expenses
Employee Compensation				
Salaries and wages	\$ 254,393	\$ 13,694	\$ 16,917	\$ 285,004
Employee benefits	24,828	1,338	1,703	27,869
Total Employee Compensation	279,221	15,032	18,620	312,873
Other Expenses				
Advertising expenses	3,868			3,868
Building maintenance	12,442			12,442
Outside services	2,518			2,518
Equipment rental	231			231
Equipment repair	10,128			10,128
Bank fees	5,751			5,751
Other expenses	6,661			6,661
Travel	1,559			1,559
Rent	120,054	21,186		141,240
Insurance	6,962			6,962
Supplies	86,182			86,182
Transport expenses	4,702			4,702
Utilities	24,512	4,326		28,838
Special events			10,196	10,196
Total Other Expenses	285,570	25,512	10,196	321,278
Total Expenses Before Depreciation	564,791	40,544	28,816	634,151
Depreciation expense	19,809			19,809
Total Expenses	\$ 584,600	\$ 40,544	\$ 28,816	\$ 653,960

The Notes to Financial Statements
are an integral part of the statements.