

**ALLIANCE FOR CONTRACEPTION
IN CATS AND DOGS**

FINANCIAL STATEMENTS

Year Ended December 31, 2013



ALLIANCE FOR CONTRACEPTION IN CATS AND DOGS

FINANCIAL STATEMENTS

Year Ended December 31, 2013

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Alliance for Contraception in Cats and Dogs
Portland, Oregon

We have audited the accompanying financial statements of Alliance for Contraception in Cats and Dogs (a non-profit organization), which comprise the statement of financial position as of December 31, 2013, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

The Organization's 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.

Auditors' 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 from 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 auditors' 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 Alliance for Contraception in Cats and Dogs as of December 31, 2013, 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.

Report on Summarized Comparative Information

We have previously audited Alliance for Contraception in Cat and Dogs' December 31, 2012 financial statements, and our report dated December 20, 2013, expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Kern & Thompson, LLC

Portland, Oregon
June 30, 2014

ALLIANCE FOR CONTRACEPTION IN CATS AND DOGS

STATEMENT OF FINANCIAL POSITION

December 31, 2013

(With Comparative Totals as of December 31, 2012)

	<u>2013</u>	<u>2012</u>
ASSETS		
Cash and cash equivalents	\$ 431,107	\$ 367,703
Grants receivable	241	154,075
Prepaid expenses	<u>3,615</u>	<u>5,795</u>
Total assets	\$ <u>434,963</u>	\$ <u>527,573</u>
LIABILITIES AND NET ASSETS		
Accounts payable	\$ 3,566	\$ 799
Payroll liabilities	2,045	2,220
Accrued liabilities	<u>14,900</u>	<u>18,150</u>
Total liabilities	<u>20,511</u>	<u>21,169</u>
Net assets		
Unrestricted	414,452	401,404
Temporarily restricted	<u>-</u>	<u>105,000</u>
Total net assets	<u>414,452</u>	<u>506,404</u>
Total liabilities and net assets	\$ <u>434,963</u>	\$ <u>527,573</u>

See notes to financial statements.

ALLIANCE FOR CONTRACEPTION IN CATS AND DOGS

STATEMENT OF ACTIVITIES

Year Ended December 31, 2013

(With Comparative Totals for the Year Ended December 31, 2012)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	
			<u>2013</u>	<u>2012</u>
Revenues and other support				
Grants	\$ 214,347	\$ -	\$ 214,347	\$ 211,587
Contributions	18,479	-	18,479	12,477
Symposium registration fees	21,930	-	21,930	-
Interest income	535	-	535	852
	<u>255,291</u>	<u>-</u>	<u>255,291</u>	<u>224,916</u>
Net assets released from restriction for timing	<u>105,000</u>	<u>(105,000)</u>	<u>-</u>	<u>-</u>
Total revenues and other support	<u>360,291</u>	<u>(105,000)</u>	<u>255,291</u>	<u>224,916</u>
Expenses				
Program services	267,499	-	267,499	226,695
Supporting services				
Management and general	49,543	-	49,543	33,411
Fund-raising	30,201	-	30,201	35,950
Total expenses	<u>347,243</u>	<u>-</u>	<u>347,243</u>	<u>296,056</u>
Change in net assets	13,048	(105,000)	(91,952)	(71,140)
Net assets, beginning of year	<u>401,404</u>	<u>105,000</u>	<u>506,404</u>	<u>577,544</u>
Net assets, end of year	<u>\$ 414,452</u>	<u>\$ -</u>	<u>\$ 414,452</u>	<u>\$ 506,404</u>

See notes to financial statements.

ALLIANCE FOR CONTRACEPTION IN CATS AND DOGS

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2013

(With Comparative Totals for the Year Ended December 31, 2012)

	PROGRAM SERVICES	SUPPORTING SERVICES		Total	
		Management & General	Fund- Raising	2013	2012
Payroll and benefits	\$ 122,328	\$ 16,682	\$ 28,309	\$ 167,319	\$ 175,346
Professional fees	21,719	19,878	265	41,862	7,302
Research	3,413	239	-	3,652	12,828
Symposium and think tanks	105,333	-	-	105,333	8,188
Sterilization grants	-	-	-	-	46,902
Travel and board advisor meetings	7,347	2,242	708	10,297	27,190
Insurance	-	2,486	-	2,486	2,387
Office	1,259	3,086	19	4,364	4,747
Human resources processing	-	2,870	-	2,870	2,505
Public relations	3,238	2,010	20	5,268	3,670
Newsletter and website support	2,689	50	880	3,619	4,121
Miscellaneous	173	-	-	173	870
	\$ 267,499	\$ 49,543	\$ 30,201	\$ 347,243	\$ 296,056

See notes to financial statements.

ALLIANCE FOR CONTRACEPTION IN CATS AND DOGS

STATEMENT OF CASH FLOWS

Year Ended December 31, 2013

(With Comparative Totals for the Year Ended December 31, 2012)

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities:		
Change in net assets	\$ (91,952)	\$ (71,140)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
(Increase) decrease in assets:		
Grants receivable	153,834	65,925
Prepaid expenses	2,180	1,981
Increase (decrease) in liabilities:		
Accounts payable	2,767	(2,980)
Payroll liabilities	(175)	2,220
Accrued liabilities	<u>(3,250)</u>	<u>8,479</u>
Net cash provided by operating activities	63,404	4,485
Cash and cash equivalents, beginning of year	<u>367,703</u>	<u>363,218</u>
Cash and cash equivalents, end of year	\$ <u>431,107</u>	\$ <u>367,703</u>

See notes to financial statements.

ALLIANCE FOR CONTRACEPTION IN CATS AND DOGS

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

NOTE A – DESCRIPTION OF ORGANIZATION

The mission of the Alliance for Contraception in Cats & Dogs (the Organization, or ACC&D) is to expedite the successful introduction of methods to non-surgically sterilize dogs and cats and to support the distribution and promotion of these products to humanely control cat and dog populations worldwide.

The Organization is a not-for-profit organization formed in 2000. It grew out of a pivotal meeting at Virginia Tech and in early years operated as a program of Auburn University. The Organization was incorporated in 2005 as a stand-alone 501(c)(3). It has held five international symposia to bring together researchers, academics, veterinarians, animal welfare professionals, and other stakeholders in cat and dog fertility control.

The Organization was guided in 2013 by a board of eleven directors as well as an eleven-member International Science Advisory & Product Development Committee. There is significant volunteer support from senior leaders, veterinarians, scientists and academics. Several of these volunteers also contribute as the Scientific Advisory Board of the Michelson Prize and Grants program of the Found Animals Foundation which has provided over \$13 million in grants for toward development of non-surgical a sterilant(s) for dogs and cats since 2009.

The Organization has an Organizational Partners Program, 143 groups from 19 countries and 20 U.S. states. We also have a Council of Stakeholders—a group of leading organizations providing key strategic and networking support as well as key financial support to help ensure sustainability; all are listed on our website, www.acc-d.org.

Based in Portland, Oregon, the Organization relies on grants from other not-for-profit organizations, private foundations, and individual major donors for its primary support. Key accomplishments in 2013 included the following:

- In preparation for the February 2014 launch of Zeuterin/Esterilsol (a non-surgical male dog sterilant) in the United States, ACC&D provided scientifically sound, animal welfare-oriented educational materials, presentations, and advice to the animal welfare and veterinary communities.
- A successful 5th International Symposium was held in June 2013, attended by over 150 attendees from 16 countries and supported by 17 sponsors.
- ACC&D's e-book on non-surgical fertility control for cats and dogs was launched early in April (available free of charge on the website) and by year end had downloaded individuals from 65 countries had accessed it.
- With a grant from the ASPCA, ACC&D developed a population dynamics computer simulation model for free-roaming cats, in order to better guide programs with goals of humanely preventing the growth of, or decreasing the size of cat colonies towards more successful interventions. The model compares a three year contraceptive as an alternative to permanent sterilization and concluded that this is a viable option, especially as a supplementation to surgical sterilization. Guidance document for cat colony managers available on the website.

ALLIANCE FOR CONTRACEPTION IN CATS AND DOGS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2013

NOTE A – DESCRIPTION OF ORGANIZATION (CONTINUED)

- ACC&D is leading an initiative to improve methods of visually identifying cats and dogs sterilized without surgery. The ability to do so will make non-surgical fertility control more valuable. The Organization completed a review of all current methods for animal ID, conducted an *Innocentive Brainstorm Challenge* for ideas and held a Think Tank convening 15 experts in a range of relevant fields. From that we envision a novel adaptation of a traditional livestock and wildlife ear tag, updated with technology for enhanced visual, RFID and therapeutic capabilities.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Organization prepares its financial statements on the accrual basis of accounting, which recognizes revenue when earned and expenses when incurred. Transactions are classified according to the existence or absence of donor-imposed restrictions.

Basis of Presentation

The accompanying financial statements have been prepared to focus on the Organization as a whole and to present its financial position and activities according to three classes of net assets – unrestricted, temporarily restricted, and permanently restricted, as follows:

- **Unrestricted net assets** represent net assets not subject to donor-imposed stipulations.
- **Temporarily restricted net assets** represent net assets subject to donor-imposed stipulations that may or will be met by actions of the Organization and/or the passage of time.
- **Permanently restricted net assets** represent net assets subject to donor-imposed stipulations that neither expire with the passage of time nor can be fulfilled or otherwise removed by actions of the Organization.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Organization considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

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.

ALLIANCE FOR CONTRACEPTION IN CATS AND DOGS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2013

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions and Unconditional Promises to Give

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. The Organization reports gifts of cash and other assets as temporarily 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.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized in the statement of functional expenses. Expenses are charged to each program based on direct expenditures incurred. Any program expenditure not directly chargeable is allocated to a program based on units of service, and support costs are allocated to a program based on total program costs.

Income Taxes

The Organization has been approved as a tax exempt organization under the Internal Revenue Code Section 501(c)(3) and applicable state laws. Accordingly, no provision for income taxes is included in the accompanying financial statements. The Organization does not believe it has unrelated trade or business income in excess of \$1,000.

The Organization's federal exempt organization information returns are subject to examination by the Internal Revenue Service, generally for three years after they are filed.

Prior Year Summarized Financial Information

The financial statements include certain prior-year summarized comparative information in total but not by natural expense classification by function. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2012, from which the summarized information was derived.

NOTE C – DONATED ASSETS AND SERVICES

The Organization receives donated services from a variety of unpaid volunteers assisting in the programs it offers. No amounts have been recognized in the accompanying Statement of Activities because the criteria for recognition of such volunteer effort under generally accepted accounting principles have not been satisfied.

ALLIANCE FOR CONTRACEPTION IN CATS AND DOGS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2013

NOTE D – CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject the Organization to credit risk consist of cash. The Organization places cash with financial institutions insured by the Federal Deposit Insurance Corporation (FDIC). Amounts in excess of FDIC coverage are not insured.

NOTE E – RETIREMENT PLAN

The Organization provides retirement benefits to its employees through a Defined Contribution Plan covering all employees. The Organization contributes 4% of gross wages. Contributions to the Plan during the year ended December 31, 2013 aggregated \$4,433.

NOTE F – SUBSEQUENT EVENTS

Subsequent events have been evaluated through June 30, 2014, which is the date the financial statements were available to be issued.



Governance Letter

To the Board of Directors of
Alliance for Contraception in Cats and Dogs
Portland, Oregon

We have audited the financial statements of Alliance for Contraception in Cats and Dogs for the year ended December 31, 2013, and have issued our report thereon dated below. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information to you in our engagement letter to you dated April 22, 2013. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Alliance for Contraception in Cats and Dogs are described in Note B to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended December 31, 2013. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management.

We detected no misstatements as a result of audit procedures that were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the attached management representation letter.

To the Board of Directors of
Alliance for Contraception in Cats and Dogs

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the Organization’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of those in charge of governance and management of Alliance for Contraception in Cats and Dogs and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in blue ink that reads "Kern & Thompson, LLC". The signature is written in a cursive, flowing style.

Portland, Oregon
June 30, 2014



Management Representation Letter

Kern & Thompson, LLC
1800 S.W. First Avenue, Suite 410
Portland, OR 97201
222-3338

This representation letter is provided in connection with your audit of the financial statements of Alliance for Contraception in Cats & Dogs, which comprise the statements of financial position as of December 31, 2013, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements, for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of the date below, the following representations made to you during your audit.

Financial Statements

- We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated April 22, 2014.
- The financial statements referred to above are fairly presented in conformity with U.S. generally accepted accounting principles.
- We acknowledge our responsibility for 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.
- We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
- Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
- We are not aware of any pending or threatened litigation, claims, or assessments or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements in accordance with U.S. GAAP, and we have not consulted a lawyer concerning litigation, claims or assessments.
- Material concentrations have been appropriately disclosed in accordance with U.S. GAAP.



- Guarantees, whether written or oral, under which the Organization is contingently liable, have been properly recorded or disclosed in accordance with U.S. GAAP.

Information Provided

- We have provided you with:
 - Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters.
 - Additional information that you have requested from us for the purpose of the audit.
 - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
- All material transactions have been recorded in the accounting records and are reflected in the financial statements.
- We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- We have no knowledge of any fraud or suspected fraud that affects the Organization and involves:
 - Management,
 - Employees who have significant roles in internal control, or
 - Others where the fraud could have a material effect on the financial statements.
- We have no knowledge of any allegations or fraud or suspected fraud affecting the Organization's financial statements communicated by employees, former employees, grantors, regulators, or others.
- We have disclosed to you all known instances of noncompliance or suspected noncompliance with laws and regulations whose effects should be considered when preparing financial statements.
- We are not aware of any pending or threatened litigation, claims, or assessments or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements in accordance with U.S. GAAP, and we have not consulted a lawyer concerning litigation, claims, or assessments.
- We have disclosed to you the identity of the Organization's related parties and all the related party relationships and transactions of which we are aware.
- The Organization has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
- We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us; and we have identified and disclosed to you all laws, regulations and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.
- Alliance for Contraception in Cats & Dogs is an exempt organization under Section 501(c)(3) of the Internal Revenue Code. Any activities of which we are aware that would jeopardize the Organization's



tax-exempt status, and all activities subject to tax on unrelated business income or excise or other tax, have been disclosed to you. All required filings with tax authorities are up-to-date.

- As part of your audit, you prepared the draft financial statements and related notes from the trial balance. We have reviewed and approved those financial statements and related notes and believe they are adequately supported by the books and records of the Organization.
- In regard to the other nonattest services performed by you, we have:
 - a. Made all management decisions and performed all management functions.
 - b. Designated a management-level individual with suitable skill, knowledge, or experience to oversee the services.
 - c. Evaluated the adequacy and results of the services performed.
 - d. Accepted responsibility for the results of the services.
 - e. Established and maintained internal controls, including monitoring ongoing activities.

Alliance for Contraception in Cats & Dogs

A handwritten signature in blue ink that reads 'Joyce Briggs'.

By: _____
Signature

Date: June 30th, 2014

Print name and title: Joyce Briggs, President

A handwritten signature in blue ink that reads 'Kevin Morris'.

By: _____
Signature

Date: June 30th, 2014 (or revise)

Print name and title: Kevin Morris, Treasurer