FRIENDS OF CHICAGO ANIMAL CARE AND CONTROL

FINANCIAL STATEMENTS WITH INDEPENDENT AUDITOR'S REPORT

For the year ended December 31, 2011

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Friends of Chicago Animal Care and Control

We have audited the accompanying statement of financial position-cash basis of Friends of Chicago Animal Care and Control (a nonprofit organization) as of December 31, 2011, and the related statement of activities and functional expenses-cash basis 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 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.

As described in Note 1, these financial statements were prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all materials respects, the financial position of Friends of Chicago Animal Care and Control as of December 31, 2011 and the changes in its net assets for the year then ended, on the basis of accounting described in Note 1.

David Castillo, CPA

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Chicago, Illinois May 11, 2012

Friends of Chicago Animal Care and Control Statement of Financial Position-Cash Basis December 31, 2011

ASSETS		<u>2011</u>
CURRENT ASSETS Cash Investments	\$	125,676.00 45,543.00
	TOTAL CURRENT ASSETS	171,219.00
	TOTAL ASSETS _\$	171,219.00
LIABILITIES AND NET ASSETS NET ASSETS Unrestricted	\$ ************************************	171,219.00
	TOTAL NET ASSETS	171,219.00
	TOTAL LIABILITIES AND NET ASSETS \$	171,219.00

Friends of Chicago Animal Care and Control Statement of Activities-Cash Basis For The Year Ended December 31, 2011

,			2011	2011				
·			Temporarily					
	<u>Unrestricted</u>		Restricted	<u>Total</u>				
Support and Revenues								
Direct Public Grants	\$ 40,273.00	\$	400.00	\$ 40,673.00				
Direct Public Support	53,749.00		2,360.00	56,109.00				
Corporate Contributions	2,582.00			2,582.00				
Gifts in Kind				-				
Investment Income	56.00			56.00				
Fundraising	81,663.00			81,663.00				
Adoption Fees	24,140.00			24,140.00				
Activity Sales	466.00			466.00				
Net Assets Released from Restrictions	2,760.00		(2,760.00)	 -				
TOTAL SUPPORT AND REVENUES	205,689.00			 205,689.00				
Expenses								
Program Expenses								
Foster Program	195,739.00			195,739.00				
Care and Control Program	34,337.00			34,337.00				
Free Fix Plus Spay Program	710.00		-	 710.00				
TOTAL PROGRAM EXPENSES	230,786.00		-	230,786.00				
Supporting Services								
Management and General	16,588.00		-	16,588.00				
Fundraising	25,711.00		<u>-</u>	 25,711.00				
TOTAL SUPPORTING SERVICES	42,299.00		-	42,299.00				
TOTAL EXPENSES	273,085.00			273,085.00				
TOTAL EXI LINGES	273,003.00			 273,003.00				
INCREASE (DECREASE) IN NET ASSETS	(67,396.00)		-	(67,396.00)				
NET ASSETS - BEGINNING OF YEAR	238,615.00		-	238,615.00				
NET ASSETS - END OF YEAR	\$ 171,219.00	_	<u> </u>	 171,219.00				

Friends of Chicago Animal Care and Control Statement of Functional Expenses-Cash Basis For the Year Ended December 31, 2011

						20	11					
			Care	and Control	Free Fix Plu	is Spay	Managemer	t and				
	Fost	er Program		<u>Program</u>	Progra	<u>ım</u>	Genera	<u>L</u>	Fun	draising		<u>Total</u>
Coordinator	\$	19,500.00	\$	23,964.00							\$	43,464.00
Medical		126,333.00										126,333.00
Medication												-
Dog Boarding		30,733.00										30,733.00
Photography		8,950.00										8,950.00
Advertising												-
Decoration & Supplies												-
Dog Training		3,000.00										3,000.00
Infant Formula		219.00										219.00
Licenses		2,975.00										2,975.00
Printing		869.00				300.00	1,	020.00		7,054.00		9,243.00
Supplies		335.00		3,676.00			1,	335.00		479.00		5,825.00
Grant Writing										1,300.00		1,300.00
Mailing Lists										1,310.00		1,310.00
Postage		25.00						254.00		2,119.00		2,398.00
Phone		520.00						402.00				922.00
Vivians Fund				6,697.00								6,697.00
Gift Cards						410.00						410.00
Space Rental										2,725.00		2,725.00
Catering										5,275.00		5,275.00
Linen Rental										1,112.00		1,112.00
Food		2,280.00								.,		2,280.00
Entertainment		,								500.00		500.00
Art for Arf's Sake										52.00		52.00
Senior Prom										251.00		251.00
Parking										133.00		133.00
Web hosting								85.00		389.00		474.00
Computer Software												-
Holiday Expenses												_
Communications & Marketing								401.00		170.00		571.00
Credit Card Fees										2,842.00		2,842.00
Rental and Maintenance								570.00		2,012.00		570.00
Bank Fees								140.00				140.00
Table Fees												-
Business Registration Fees								115.00				115.00
Accounting Fees								050.00				9,050.00
Legal Fees								250.00				250.00
Insurance								905.00				2,905.00
Gifts and Flowers							۷,	61.00				61.00
Onto did i lonoio	\$	195,739.00	\$	34,337.00	\$	710.00	\$ 16,	588.00	\$	25,711.00	\$	273,085.00
		.00,100.00	_	0.,007.00			- 10,		_	_0, 0	Ť	2,0,000.00

Friends of Chicago Animal Care and Control Notes to Financial Statements December 31, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Activities

Friends of Chicago Animal Care and Control (FCACC) is a not-for-profit organization incorporated under the laws of Illinois. The Organization was founded to raise awareness of Chicago Animal Care and Control, provide extra care for the animals at the shelter beyond the City's resources, and help more animals find new homes. FCACC was created on July 11, 2000. The primary sources of revenues are public support and fundraising event revenue.

Basis of Accounting

The financial statements have been prepared using the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. Revenues are recognized when received and expenses are recognized when disbursed.

Financial Statement Presentation

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-restrictions.

<u>Temporarily Restricted Net Assets –</u> Net assets subject to donor-imposed restrictions that may or will be met, either by actions of the Organization and/or the passage of time.

Significant Programs

The Organization's significant program is as follows:

<u>Foster Program</u> – FCACC coordinates the Chicago Animal Care and Control shelter in Chicago, IL. FCACC transfers animals from the shelter that are too young for adoption, medically fragile, or animals that have special needs and places them in licensed foster homes until they are ready for adoption.

Cash and Cash Equivalents

FCACC considers cash on hand, demand deposits, money markets and investments with initial maturities of three months or less as cash and cash equivalents. The Organization considers all cash and equivalents held with the investment advisor to be investments.

Investments

Investments are stated at the readily determinable fair market value in accordance with the *Not-for-Profit Entities* topic of the FASB Accounting Standards Codification. All interest, dividends and realized and unrealized gains and losses are reported in the statement of activities as increases or decreases in unrestricted net assets unless their use is temporarily or permanently restricted by explicit donor stipulations or by law.

Support and Revenue

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. If a restriction is fulfilled in the same time period in which the contribution is received, the Organization reports the support as unrestricted. Otherwise, when a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Income Taxes

The Organization is a nonprofit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Contributions to the organization are tax deductible to donors under section 170 to the Code. The Organization is not classified as a private foundation.

Functional Expenses

Expenses are charged directly to program, management and general, or fundraising based on a combination of specific identification and allocation by management.

Advertising Costs

The Organization expenses advertising costs are incurred. Expenses incurred were \$0 for 2011, respectively.

Concentrations of Risk

The majority of the Organization's contributions and fundraising revenues are received from corporations, foundations, and individuals located in Illinois. As such, the Organization's ability to generate resources via contributions and grants is dependent upon the economic health of that area. An economic downturn could cause a decrease in contributions and fundraising that coincides with an increase in demand for the Organization's services.

The Organization's investments are subject to various risks, such as interest rate, credit, and overall market volatility risks. Further, because of the significance of the investments to the Organization's financial position and the level of risk inherent in most investments, it is reasonably possible that changes in the values of these investments could occur in the near term and such changes could materially affect the amounts reported in the financial statements.

FCACC maintains its cash and cash equivalents in financial institutions. The accounts are insured by the Federal Deposit Insurance Corporation up to \$250,000. As of December 31, 2011 the Organization's total cash and cash equivalent balance was insured.

NOTE 2 - INVESTMENTS

Investments at December 31, 2011 were as follows:

					_	Cumulative realized Gain
<u>2011</u>		Cost	Fair	Market Value		(Loss)
Investments	\$	45,543.00	\$	45,543.00	\$	-
Total	\$	45,543.00	\$	45,543.00	\$	-
Investment Income for the year	ended	December 31, 20	11 consis	sted of the followin		<u>2011</u>
Realized Gains (Losses)					\$	-
Unrealized Gains (Losses)						-
Interest and Divident Income						56.00
Total Investment Income					\$	56.00

NOTE 3 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets were received and released for the following purpose as of December 31, 2011:

	<u>2011</u>		
Foster Program	\$ 2,760.00		
	\$ 2,760.00		



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To Management and the Board of Directors of Friends of Chicago Animal Care and Control

In planning and performing our audit of the financial statements of Friends of Chicago Animal Care and Control as of and for the year ended December 31, 2011, in accordance with auditing standards generally accepted in the United States of America, we considered Friends of Chicago Animal Care and Control's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies in Friends of Chicago Animal Care and Control's internal control to be significant deficiencies:

1. There is no review oversight of the bank reconciliations being performed by the Treasurer.

During our audit, we also became aware of the following matters, which we believe represent opportunities for strengthening internal controls and operating efficiency. The memorandum accompanying this letter summarizes our comments and suggestions concerning other matters.

The communication is intended solely for the information and use of management, board of directors, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

David Castillo, CPA Chicago, IL

May 11, 2012



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Friends of Chicago Animal Care and Control Management Points
December 31, 2011

Adopt a Cash and Investment Policy

The Organization's cash position has remained consistent. We recommend that the Organization develop and formalize a cash and investment policy including both long and short-term objectives. Such a plan should maximize interest income and keep interest costs to a minimum.

Review Functions of Bank Accounts

At present the Organization maintains 6 checking and savings accounts. Many of the accounts were established for narrow purposes and have few transactions. We recommend that management periodically review the functions of all bank accounts to determine whether they are necessary. Numerous bank accounts result in complexity and inefficient administration.

<u>Limit the Number of Authorized Check Signers</u>

During our audit, we noted that there are currently 3 authorized signers on the Organizations accounts. This practice helps ensure that at least two authorized signers are always available to sign checks. However, it weakens controls over cash disbursements. Thus, we recommend that the number of authorized signers be reduced to two.

Develop an Organization Chart

The Organization does not have an organization chart. There is a natural tendency to dismiss the need for an organization chart in a small organization where management deals less directly with each employee (or volunteer) and where all personnel know each other and are generally aware of each other's area of responsibility. However, without an organization chart, there may be confusion about who is really accountable for particular areas and to whom employees (or volunteer's) are responsible. The result could be that some Ares of operations do not receive adequate attention or that duplicative or contradictory actions are taken.

Make use of QuickBooks Business Budgeting and Forecasting Features

Budgets are a vital tool in controlling and monitoring Organizations operations and are part of antifraud programs and controls. Since the Organization uses QuickBooks, we recommend that Management take advantage of its budgeting and forecasting features.