

LAST CHANCE FOR ANIMALS
(A CALIFORNIA NONPROFIT ORGANIZATION)

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

DECEMBER 31, 2018

LAST CHANCE FOR ANIMALS

CONTENTS

Independent Auditors' Report	1
Financial Statements	
Statement of Financial Position	2
Statement of Activities	3
Statement of Cash Flows	4
Notes to Financial Statements	5-10
Supplemental Information	
Schedule of Functional Expenses	11

COHEN PAGANO

ACCOUNTANCY, INC.

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Last Chance for Animals

We have audited the accompanying financial statements of Last Chance for Animals (a nonprofit organization), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities and cash flows for the year 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 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 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 Last Chance for Animals as of December 31, 2018, 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 Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses on page 11 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.

Cohen Pagano Accountancy

Los Angeles, California

November 14, 2019

LAST CHANCE FOR ANIMALS

STATEMENT OF FINANCIAL POSITION

December 31, 2018

ASSETS

Current Assets

Cash	\$	415,042
Contributions receivable (Note 1)		163,454
Prepaid expenses		78,761

Total current assets 657,257

Investments - at market (Note 2) 1,942,501

Property, equipment and intangible assets, net (Note 3 & 4) 73,047

Other assets 2,600

TOTAL ASSETS \$ **2,675,405**

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts payable	\$	64,618
Line of credit		-
Commitments		-
Total current liabilities		64,618

Net Assets

Unrestricted		2,748,280
Market adjustment - available-for-sale securities		(137,493)

Total net assets 2,610,787

TOTAL LIABILITIES AND NET ASSETS \$ **2,675,405**

LAST CHANCE FOR ANIMALS

STATEMENT OF ACTIVITIES

Year Ended December 31, 2018

Support and revenue	
Donations and contributions	\$ 1,440,137
Grants	288,900
Bequests	618,009
Royalties	1,310
Gain on sales of securities	24,850
Books and merchandise	413
Interest income	54,484
	<u>2,428,103</u>
Total support and revenue	
	<u>2,428,103</u>
Expenses	
Program services	2,396,928
Fundraising	263,473
Management and general	42,385
	<u>2,702,786</u>
Total expenses	
	<u>2,702,786</u>
Change in net assets from operations	<u>(274,684)</u>
Non-operating activities	
Market adjustment - available-for-sale securities (Note 2)	<u>(137,493)</u>
Total non-operating activities	<u>(137,493)</u>
Change in net assets from activities	<u>(412,177)</u>
Net assets - beginning of year	<u>3,022,965</u>
Net assets - end of year	<u>\$ 2,610,788</u>

LAST CHANCE FOR ANIMALS

STATEMENT OF CASH FLOWS

Year Ended December 31, 2018

Cash flows from operating activities	
Change in net assets	\$ (274,684)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Amortization	-
Depreciation	19,928
Changes in operating assets and liabilities:	
Contributions receivable	(50,790)
Refunds receivable	265
Prepaid expenses	22,459
Other assets	1,091
Market adjustment	(137,493)
Accounts payable	<u>(34,580)</u>
Net cash provided from (used in) operating activities	(453,804)
Cash flows provided from (used in) investing activities	
Purchases of equipment	(37,328)
Purchases of intangibles	-
Endowment - investment account	529,801
Net cash provided from (used in) investing activities	492,473
Cash flows provided from (used in) financing activities	
Line of credit (Note 5)	<u>-</u>
Net increase in cash	38,669
Cash, beginning of the year	<u>376,373</u>
Cash, end of the year	<u>\$ 415,042</u>

LAST CHANCE FOR ANIMALS

NOTES TO FINANCIAL STATEMENTS

1. Nature of Organization and summary of significant accounting policies

Nature of Operations

Last Chance for Animals, a California non-profit public benefit corporation (the "Organization"), was organized for ending animal abuse and exploitation through investigations, education, public outreach, advocacy and campaigns.

Basis of Accounting

The Organization uses the accrual method of accounting and conforms to the AICPA Audit and Accounting Guide *Not-for-Profit Organizations*.

Financial Statement Presentation

The Organization reports cash contributions and gifts of goods and equipment as unrestricted support unless explicit donor stipulations specify how or when the donated assets must be used.

Net Assets

Unrestricted Net Assets — is the part of the net assets of the Organization that is neither permanently restricted nor temporarily restricted by donor-imposed stipulations. The only limits on unrestricted net assets are broad limits resulting from the nature of the Organization and the purpose specified in its articles of incorporation or bylaws. Temporarily restricted net assets are treated as unrestricted net assets if the purpose of the donor-imposed restrictions is satisfied in the year in which the restricted contributions are received.

Temporarily Restricted Net Assets — is the part of the net assets of the Organization 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. The Organization has no temporarily restricted net assets at December 31, 2018 and had none during the year then ended.

Permanently Restricted Net Assets — the part of the net assets of the Organization 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. The Organization has no permanently restricted net assets at December 31, 2018. Restrictions previously classified as restricted assets have been released during the year.

Expense Allocation

Expenses are charged to program, fundraising, and management/general activities. Management and general expenses include those expenses that are not directly identifiable with any specific function but provide for the overall support and direction of the Organization.

Concentration of Credit Risk

The Organization is potentially subject to concentrations of credit risk by maintaining cash balances in excess of Federal Deposit Insurance Corporation (FDIC) and Securities Investor Protection Corporation (SIPC) insurable limits. At December 31, 2018, cash in excess of FDIC insured limits totaled \$165,072 and investments in excess of SIPC insured limits totaled \$1,442,501.

LAST CHANCE FOR ANIMALS

NOTES TO FINANCIAL STATEMENTS

1. Nature of Organization and summary of significant accounting policies (continued)

Cash and Cash Equivalents

The Organization considers all highly liquid debt instruments with original maturities of three months or less to be cash equivalents.

Contributions Receivable

The Organization records all unconditional promises to give as of December 31, 2018 as contributions receivable. These contributions are all received within 60 days of the following year. Although the promises to give are measured at present value, no discount is separately recorded since the contributions are all received within 60 days. This is also the reason that there are not allowances for uncollectible donations receivable.

Revenue Recognition

The Organization principally generates revenue from contributions and bequests. Contributions are recognized when received. Unconditional promises to give (pledges), less allowance for uncollectible amounts, are recorded as receivables and revenues in the appropriate net asset category in accordance with donor-imposed restrictions.

Property and Equipment

Property and equipment are reported at cost. Expenditures for major additions and improvements are capitalized. Minor replacements, maintenance and repairs are charged to expense as incurred. When property and equipment are retired or otherwise disposed of, the cost and accumulated depreciation are removed from the accounts and any resulting gain or loss is included in the activities for the respective period. Depreciation is provided using an accelerated method based on estimated useful lives ranging from 5 to 7 years.

Donated Services, Goods and Facilities

A substantial number of volunteers have donated time to the Organization's program services and fundraising campaigns during the year. Donated services that do not require specialized skills are not reflected in the financial statements.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures. Actual results could differ from those estimates.

Tax Status

The Organization is a publicly supported not-for-profit Organization and is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and corresponding sections of the California Revenue and Taxation Code.

LAST CHANCE FOR ANIMALS

2. Investments

Investments represent unrestricted endowments held in "available for sale securities." These securities consist primarily of mutual funds that pay dividends on a quarterly basis. Investments are carried at current market value as of December 31, 2018. Gains and losses on sales of securities are recognized when sold. Unrealized increases and decreases in value are recorded during the year and as an adjustment to unrestricted net assets.

3. Property and equipment

Major categories of property and equipment at December 31, 2018 are as follows:

Computer equipment	\$	125,754
Investigative equipment		89,392
Office furniture and other equipment		33,485
Vehicle - Animal News Van		59,425
		308,056
Less: accumulated depreciation		<u>(235,009)</u>
	\$	<u>73,047</u>

Depreciation for the year ended December 31, 2018 was \$19,928

4. Intangibles

Major categories of intangibles at December 31, 2018 are as follows:

Website Design	\$	<u>10,000</u>
		10,000
Less: accumulated amortization		<u>(10,000)</u>
	\$	<u>-</u>

Amortization for the year ended December 31, 2018 was \$0.

5. Line of credit payable

The Organization has an unsecured \$25,000 credit line with a financial institution. Advances on the credit line are payable on demand and at the bank's variable rate which was 10.25% as of December 31, 2018, with interest payable monthly. The Organization had no amounts outstanding on the line of credit as of December 31, 2018.

LAST CHANCE FOR ANIMALS

6. Commitments

The Organization renewed a non-cancellable operating lease for its office space on September 1, 2016 through August 31, 2021. The monthly lease payments of \$6,246 began September 1, 2017 and increased on September 1, 2018 to \$6,491. The space is for general office use that can be relocated at a relatively low cost to the Organization.

Rent expense for the year ended December 31, 2018 was \$75,933. Future minimum payments are as follows:

Years ending December 31,

2019	78,922
2020	82,032
2021	<u>56,105</u>
	<u>\$ 217,059</u>

7. Allocation of costs of activities that include fundraising

The Organization achieves some of its programmatic goals through direct mail campaigns, newsletters and events that include requests for contributions. The costs of conducting those campaigns included a total of \$444,384 of joint costs that are not directly attributable to either the program component or the fundraising component of the activities. These joint costs were allocated as follows:

Programs	466,565
Fundraising	<u>116,466</u>
	<u>\$ 583,031</u>

8. Allocation of program services expenses

For the year ended December 31, 2018, the Organization participated in the following programs:

Program Services

Investigations	\$ 785,970
Education and public outreach	<u>1,610,958</u>
	<u>\$ 2,396,928</u>

LAST CHANCE FOR ANIMALS

9. Related party transaction

During the year ended December 31, 2018, there were no related party transactions.

10. Income taxes

The Organization is a tax-exempt Organization and is not required to pay Federal or State income taxes. The State of California charges an annual fee of \$10 and an Attorney General renewal fee is charged based on gross revenue. The Attorney General fee for 2018 was \$150.

The Organization files tax returns on a calendar year basis. The Organization is no longer subject to federal, state and local income tax examinations by tax authorities for years prior to 2015.

11. Policies

The Organization has implemented additional systems of internal control. An established committee assumes responsibility for oversight of the audit, review, or compilation of the financial statements and the selection of the independent accountant. Policies regarding conflict of interest, document retention and destruction and whistleblowers are distributed to the employees and board of directors.

12. Fair Value of Financial Instruments

As defined by FASB ASC 820, *Fair Value Measurements*, fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between unrelated market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, a fair value hierarchy was established that prioritizes observable and unobservable inputs used to measure fair value into three broad levels, which are described below:

- Level 1: Quoted prices (unadjusted) in active markets that are accessible at the measurement date for assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.
- Level 2: Observable prices that are based on inputs not quoted on active markets, but corroborated by market data.
- Level 3: Unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs.

Assets and liabilities measure at fair value are based on one or more of three valuation techniques as identified in the tables below. Where more than one technique is noted, individual assets or liabilities were valued using one or more of the noted techniques. The valuation techniques are as follows:

- (a) *Market approach*. Prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities.
- (b) *Cost approach*. Amount that would be required to replace the service capacity of an asset (replacement cost).
- (c) *Income approach*. Techniques to convert future amounts to a single present amount based on market expectations (including present value techniques, option-pricing and excess earnings models).

LAST CHANCE FOR ANIMALS

12. Fair Value of Financial Instruments (continued)

In determining fair value, the Organization utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible, as well as considers counterparty credit risk in its assessment of fair value. The fair value of annuity and split-interest obligations are determined using present value techniques based on mortality tables and discount rates that are consistent with Internal Revenue Service (IRS) published rates and the American Council on Gift Annuities. The fair value of pledges considers credit risk, which is estimated based on managements' estimate of the collectability of pledges receivable.

The Organization's assets and liabilities measured at fair value on a recurring basis as of December 31, 2018, aggregated by the level in the fair value hierarchy, are included in cash and investments in the statement of financial position as follows:

2018					Technique
Assets	Level 1	Level 2	Level 3	Total	(a,b,c)
Marketable securities	\$ 1,942,501	\$ -	\$ -	\$ 1,942,501	a
Cash Equivalents	\$ 415,042	-	-	\$ 415,042	a
Total Assets	\$ 2,357,543			\$ 2,357,543	

As a result of further analysis of the characteristics of certain financial instruments during the preparation of its 2018 financial statement disclosures, the Organization has determined that all of its financial instruments are measured at Level 1 and valued using technique above.

13. Pension Plan

Upon approval from the Board of Directors, the Organization established a discretionary profit sharing plan in 2014. Contributions to the plan during 2018 were \$55,000. There are no unfunded benefits in connection with this plan for the year ended December 31, 2018.

14. Subsequent Events

Management evaluated events and transactions that occurred after the statement of financial position date through November 14, 2019 for potential recognition and disclosure. The organization did not have any subsequent events through that date (which is the date the financial statements were available to be issued) for events requiring recording or disclosure in the financial statements for the year ended December 31, 2018.

LAST CHANCE FOR ANIMALS

SUPPLEMENTAL INFORMATION SCHEDULE OF FUNCTIONAL EXPENSES

Year Ended December 31, 2018

	EDUCATION & PUBLIC OUTREACH	INVESTIGATIONS	FUNDRAISING	GEN & ADMIN	TOTAL
Payroll Expense	313,621	310,667	49,981	4,964	679,233
Direct Mail	355,507	-	88,877	-	444,384
Campaigns	365,835	-	-	-	365,835
Investigations Fees & Exp	-	224,889	-	-	224,889
Professional Fees	98,862	32,240	11,167	2,204	144,472
Educational Event Expense	111,058	-	27,589	-	138,647
Insurance Expense	63,320	35,620	2,109	1,526	102,574
Contributions	19,523	70,000	-	-	89,523
Rent	42,466	33,973	5,096	3,397	84,933
Public Relations	48,204	23,658	-	-	71,863
Employee Benefits	27,500	22,000	4,400	1,100	55,000
Computer Expense	43,207	5,858	2,495	1,750	53,310
Donation Processing Fees	-	-	28,221	-	28,221
Advertising	21,125	-	6,802	-	27,927
Meals & Entertainment Exp	18,337	5,244	38	-	23,618
Investment Advisory Fees	-	-	-	21,643	21,643
Delivery & Postage	9,206	878	10,674	259	21,017
Animal News Van Expenses	19,937	-	-	-	19,937
Depreciation Exp	6,277	12,395	753	503	19,928
Charitable Registration Fees	-	-	17,364	-	17,364
Protest & Petition Exp	14,780	-	-	-	14,780
Film & Video	10,555	-	-	-	10,555
Office Expense	3,158	1,974	1,798	2,431	9,362
Bank & Interest Charges	2,065	3,247	310	2,318	7,940
Travel	2,789	1,457	1,111	-	5,356
Automobile Expense	3,938	508	-	-	4,446
Licenses, Fees & Permits	-	-	3,918	150	4,068
Telephone Expense	3,767	-	-	141	3,907
Press Releases	2,070	1,360	-	-	3,430
In Your Face Book Expenses	2,715	-	-	-	2,715
Staff Recruiting	880	-	-	-	880
Gift Expense	-	-	771	-	771
Animal Welfare Rescue	256	-	-	-	256
Totals	\$ 1,610,958	\$ 785,970	\$ 263,473	\$ 42,385	\$ 2,702,786