

**LAST CHANCE FOR ANIMALS**  
**(A CALIFORNIA NONPROFIT ORGANIZATION)**

FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITORS' REPORT

DECEMBER 31, 2013

# LAST CHANCE FOR ANIMALS

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**COHEN PAGANO**  

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**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 non-profit organization), which comprise the statement of financial position as of December 31, 2013, 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, 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.

**Other Matter**

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 9 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 11, 2013

# LAST CHANCE FOR ANIMALS

## STATEMENT OF FINANCIAL POSITION

December 31, 2013

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### ASSETS

#### Current Assets

Cash	\$	333,177
Contributions receivable (Note 1)		111,352
Prepaid expenses		<u>34,515</u>

Total current assets 479,044

Investments - at market (Note 2)

852,696

Property and equipment, net (Note 3 & 4)

38,439

Other assets (Note 11)

6,350

#### TOTAL ASSETS

\$ 1,376,529

### LIABILITIES AND NET ASSETS

#### Current Liabilities

Accounts payable	\$	64,538
Line of credit (Note 5)		-
Commitments (Note 6)		<u>-</u>
Total current liabilities		64,538

#### Net Assets

Unrestricted (Note 1)	1,217,420
Permanently restricted (Note 1)	100,000
Market adjustment - available-for-sale securities (Note 2)	<u>(5,429)</u>

Total net assets 1,311,991

#### TOTAL LIABILITIES AND NET ASSETS

\$ 1,376,529

# LAST CHANCE FOR ANIMALS

## STATEMENT OF ACTIVITIES

Year Ended December 31, 2013

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### Support and revenue

Donations and contributions	\$ 1,993,890
Bequests	492,461
Loss on sale of securities	(16,815)
Royalties	1,914
Books and merchandise	905
Interest income	32,245
	<hr/>
Total support and revenue	2,504,600

### Expenses

Program services	1,465,428
Fundraising	166,666
Management and general	71,059
	<hr/>
Total expenses	1,703,153

### Other income and expenses

Market adjustment - available-for-sale securities (Note 2)	(5,429)
	<hr/>
Total other income and expenses	(5,429)

### Change in net assets from activities

796,018

### Net assets - beginning of year

515,973

### Net assets - end of year

\$ 1,311,991

# LAST CHANCE FOR ANIMALS

## STATEMENT OF CASH FLOWS

Year Ended December 31, 2013

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<b>Cash flows from (used in) operating activities</b>	
Change in net assets	\$ 796,018
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Amortization	2,000
Depreciation	4,118
Changes in operating assets and liabilities:	
Contributions receivable	135,558
Prepaid expenses	(17,882)
Other assets	-
Accounts payable	<u>(3,821)</u>
<b>Net cash provided from (used in) operating activities</b>	915,991
<b>Cash flows provided from (used in) investing activities</b>	
Purchases of equipment	(13,293)
Purchases of intangibles	
Endowment - Investment Account	<u>(702,693)</u>
<b>Net cash provided from (used in) investing activities</b>	(715,986)
<b>Cash flows provided from (used in) financing activities</b>	
Line of credit (Note 5)	<u>-</u>
<b>Net increase in cash</b>	200,005
<b>Cash, beginning of the year</b>	<u>133,171</u>
<b>Cash, end of the year</b>	<u><u>\$ 333,176</u></u>
<b>Interest expense</b>	\$ -
<b>Income taxes (Note 10)</b>	\$ -

See accompanying notes to financial statements.

# LAST CHANCE FOR ANIMALS

## NOTES TO FINANCIAL STATEMENTS

December 31, 2013

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### 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 the purpose of ending animal abuse and exploitation. This purpose is accomplished through investigations, education, public outreach, advocacy and campaigns.

#### *Basis of Accounting*

The Organization uses the accrual basis 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 and, perhaps, limits resulting from contractual agreements. 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, 2013 or during the year then ended.

Permanently 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 neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Organization. The Organization received \$100,000 of permanently restricted net assets in 2012. Following the terms of the endowment, this amount is invested in an interest bearing cash or cash equivalent account as of December 31, 2013.

#### *Expense Allocation*

Expenses are charged to program activities, fundraising activities, and management and general expense. 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, 2013, cash in excess of FDIC insured limits totaled \$79,336 and investments in excess of SIPC insured limits totaled \$352,696.

# LAST CHANCE FOR ANIMALS

## NOTES TO FINANCIAL STATEMENTS

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December 31, 2013

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### 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.

#### *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 and 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.

### 2. Investments

Investments represent restricted and 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, 2013. Gains and losses on sales of securities are recognized when sold. Unrealized increases and decreases in value are recorded during the year and shown as an adjustment to unrestricted net assets.

# LAST CHANCE FOR ANIMALS

## NOTES TO FINANCIAL STATEMENTS

December 31, 2013

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### 3. Property and equipment

Major categories of property and equipment at December 31, 2013 are as follows:

Computer equipment	\$	49,811
Investigative equipment		37,565
Office furniture and other equipment		23,769
Vehicle - Animal News Van		<u>59,425</u>
		170,571
Less: accumulated depreciation		<u>(136,632)</u>
	\$	<u>33,939</u>

Depreciation for the year ended December 31, 2013 was \$4,118.

### 4. Intangibles

Major categories of intangibles at December 31, 2013 are as follows:

Website Design	\$	<u>10,000</u>
		10,000
Less: accumulated amortization		<u>(5,500)</u>
	\$	<u>4,500</u>

Amortization for the year ended December 31, 2013 was \$2,000.

### 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 prime rate plus 3.25%, which was 8.25% as of December 31, 2013, with interest payable monthly. The Organization had no amounts outstanding on the line of credit as of December 31, 2013.

### 6. Commitments

The Organization had a noncancellable operating lease for its office space that expired in June 2010. The Organization currently makes lease payments of \$4,790.00 are on a month to month basis. 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, 2013 was \$57,480.

# LAST CHANCE FOR ANIMALS

## NOTES TO FINANCIAL STATEMENTS

December 31, 2013

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### 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 \$445,085 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	\$ 358,684
Fundraising	86,401
	<u>\$ 445,085</u>

### 8. Allocation of program services expenses

For the year ended December 31, 2013, the Organization participated in the following programs:

#### Program Services

Investigations	\$ 322,239
Education and public outreach	1,143,189
	<u>\$ 1,465,428</u>

### 9. Related party transactions

During the year ended December 31, 2013, 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 2013 was \$150. The fees are accounted for as charitable registration expense.

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 2011.

### 11. Other assets

On December 6, 2010, the Organization received donated real estate with a fair market value of \$3,750. The land was recorded as other assets with a book value equal to the fair market value at the date received. The Organization has deposits of \$2,600.

### 12. 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.

# LAST CHANCE FOR ANIMALS

## SUPPLEMENTAL INFORMATION SCHEDULE OF FUNCTIONAL EXPENSES

December 31, 2013

### Year Ended December 31, 2013

	EDUCATION & PUBLIC OUTREACH	INVESTIGATIONS	FUNDRAISING	GENERAL & ADMINISTRATION	TOTAL EXPENSES
Direct Mail	\$ 358,684	-	\$ 86,401	\$ -	\$ 445,085
Payroll Expense	215,384	134,297	18,915	56,034	424,629
Campaigns	193,073	-	747	-	193,820
Professional Fees	105,335	13,820	12,302	671	132,128
Investigations Fees & Expenses	-	84,829	-	-	84,829
Rent	33,900	27,120	4,068	2,712	67,800
Travel	49,611	11,619	86	-	61,315
Insurance Expense	16,024	17,410	6,217	812	40,463
Advertising	30,274	-	5,347	-	35,621
Office Expense	21,510	5,642	1,733	876	29,762
Delivery & Postage	21,810	1,670	3,838	909	28,227
Computer Expense	20,467	2,931	1,386	158	24,942
Animal News Van Expenses	22,094	-	-	-	22,094
Public Relations	19,348	-	-	-	19,348
Meals & Entertainment Exp	10,244	6,075	109	73	16,501
Donation Processing Fees	-	-	13,175	-	13,175
Telephone Expense	5,204	4,163	624	416	10,407
Charitable Registration Fees	-	-	9,705	-	9,705
Investment Advisory Fees & Exp	-	-	-	7,909	7,909
Contributions	1,800	5,714	-	-	7,514
Depreciation & Amortization Exp	3,059	2,447	327	285	6,118
Education & Outreach	4,272	1,780	-	-	6,052
Bank & Interest Charges	2,539	2,066	305	203	5,113
Printing & Reproduction	2,885	-	1,382	-	4,267
Automobile Expense	2,300	658	-	-	2,958
LCA Merchandise	1,814	-	-	-	1,814
Film & Video supplies/editing	1,560	-	-	-	1,560
<b>Totals</b>	<b>\$ 1,143,189</b>	<b>\$ 322,239</b>	<b>\$ 166,666</b>	<b>\$ 71,059</b>	<b>\$ 1,703,153</b>