

LAST CHANCE FOR ANIMALS
(A CALIFORNIA NONPROFIT ORGANIZATION)

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

DECEMBER 31, 2015

LAST CHANCE FOR ANIMALS

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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, 2015, 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, 2015, 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 11, 2016

LAST CHANCE FOR ANIMALS

STATEMENT OF FINANCIAL POSITION

December 31, 2015

ASSETS

Current Assets

Cash	\$	330,683
Contributions receivable (Note 1)		306,207
Prepaid expenses		<u>63,316</u>

Total current assets 700,206

Investments - at market (Note 2)

1,363,542

Property, equipment and intangible assets, net (Notes 3 & 4)

71,973

Other assets

13,022

TOTAL ASSETS

\$ 2,148,743

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts payable	\$	40,843
Line of credit (Note 5)		-
Commitments		<u>-</u>
Total current liabilities		40,843

Net Assets

Unrestricted	2,012,505
Permanently restricted	100,000
Market adjustment - available-for-sale securities	<u>(4,605)</u>

Total net assets 2,107,900

TOTAL LIABILITIES AND NET ASSETS

\$ 2,148,743

LAST CHANCE FOR ANIMALS

STATEMENT OF ACTIVITIES

Year Ended December 31, 2015

Support and revenue

Donations and contributions	\$ 1,192,374
Bequests	1,229,586
Loss on sale of securities	(12,869)
Royalties	908
Books and merchandise	1,179
Interest income	28,201
	<hr/>
Total support and revenue	2,439,378

Expenses

Program services	1,845,072
Fundraising	167,231
Management and general	33,429
	<hr/>
Total expenses	2,045,732

Change in net assets from operations 393,646

Non-operating activities

Market adjustment - available-for-sale securities (Note 2)	<u>(4,605)</u>
Total non-operating activities	<u>(4,605)</u>

Change in net assets from activities 389,041

Net assets - beginning of year 1,718,859

Net assets - end of year \$ 2,107,900

LAST CHANCE FOR ANIMALS

STATEMENT OF CASH FLOWS

Year Ended December 31, 2015

Cash flows from operating activities	
Change in net assets	\$ 389,041
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Amortization	2,000
Depreciation	26,623
Changes in operating assets and liabilities:	
Contributions receivable	(208,873)
Prepaid expenses	(42,406)
Other assets	(3,672)
Accounts payable	(66,023)
Market adjustment	4,605
Net cash provided from (used in) operating activities	101,295
Cash flows provided from (used in) investing activities	
Purchases of equipment	(13,804)
Purchases of intangibles	-
Endowment - Investment Account	(303,773)
Net cash provided from (used in) investing activities	(317,576)
Cash flows provided from (used in) financing activities	
Line of credit (Note 5)	-
Net increase in cash	(216,281)
Cash, beginning of the year	546,964
Cash, end of the year	\$ 330,683

See accompanying notes to financial statements.

LAST CHANCE FOR ANIMALS

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

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 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 in the year that the purpose of the donor-imposed restrictions is satisfied.

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, 2015 nor had any 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, the \$100,000 is in an interest bearing cash or cash equivalent account as of December 31, 2015.

Expense Allocation

Expenses are charged to program, fundraising activities, and management and general classifications. 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 insurable limits. At December 31, 2015, cash in excess of FDIC insured limits totaled \$76,415 and investments in excess of SIPC insured limits totaled \$893,400.

LAST CHANCE FOR ANIMALS

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

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, 2015 as contributions receivable. These contributions are all received within 30 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 30 days. This is also the reason that there are no allowances for uncollectible promises.

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 revenue 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.

LAST CHANCE FOR ANIMALS

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

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, 2015. 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.

3. Property and equipment

Major categories of property and equipment at December 31, 2015 are as follows:

Computer equipment	\$	94,951
Investigative equipment		66,292
Office furniture and other equipment		32,156
Vehicle - Animal News Van		59,425
		<u>252,824</u>
Less: accumulated depreciation		<u>(181,351)</u>
	\$	<u>71,473</u>

Depreciation for the year ended December 31, 2015 was \$26,623.

4. Intangibles

Major categories of intangibles at December 31, 2015 are as follows:

Website Design	\$	<u>10,000</u>
		10,000
Less: accumulated amortization		<u>(9,500)</u>
	\$	<u>500</u>

Amortization for the year ended December 31, 2015 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, 2015, with interest payable monthly. The Organization had no amounts outstanding on the line of credit as of December 31, 2015.

LAST CHANCE FOR ANIMALS

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

6. Commitments

The Organization renewed a non-cancellable operating lease for its office space on June 30, 2014 that expires on August 31, 2016. The monthly lease payments of \$4,978 began September 1, 2014 and will increase on September 1, 2015 to \$5,173 till August 31, 2016. The Organization renewed a non-cancellable five-year operating lease for September 1, 2016 thru August 31, 2021. 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, 2015 was \$60,516. Rent expense commitments for 2016 thru 2020 are \$65,422, \$73,058, \$75,933, \$78,922 and \$82,032 respectively.

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 \$415,411 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	\$ 332,329
Fundraising	83,082
	<u>\$ 415,411</u>

8. Allocation of program services expenses

For the year ended December 31, 2015, the Organization participated in the following programs:

Program Services	
Investigations	\$ 670,354
Education and public outreach	1,174,718
	<u>\$ 1,845,072</u>

9. Related party transactions

During the year ended December 31, 2015, 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 2015 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 2013.

LAST CHANCE FOR ANIMALS

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

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. Disposition of the asset was recorded in 2015; the land sold for \$1,150 to be divided with another non-profit group. The Organization's portion of escrow costs totaled \$373. The loss on the disposal of the asset equaled \$3,175. The Organization's net proceeds of \$202 was distributed to the other non-profit group.

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.

13. 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 measured 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

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

13. 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 management's estimates of the collectability of pledges receivable.

The Organization's assets and liabilities measured at fair value on a recurring basis as of December 31, 2015, aggregated by the level in the fair value hierarchy, are included in cash and investments in the statement of position as follows:

2015 Assets	Level 1	Level 2	Level 3	Total	Valuation Technique (a,b,c)
Marketable securities	\$ 1,363,542	\$ -	\$ -	\$ 1,363,542	a
Cash equivalents	330,683	-	-	330,683	a
Total assets	<u>\$ 1,694,225</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,694,225</u>	

As a result of further analysis of the characteristics of certain financial instruments during the preparation of its 2015 financial statement disclosures, the Organization has determined that all of its financial instruments are measured at Level 1 and valued using technique a.

14. Pension Plan

Upon approval from the Board of Directors, the Organization established a discretionary profit sharing plan in 2014. Contributions to the plan during the year were \$52,000. There are no unfunded benefits in connection with this plan for the year ended December 31, 2015.

15. Grants

No grants were issued for the year ended December 31, 2015.

16. Subsequent Events

Management evaluated events and transactions that occurred after the statement of financial position date through November 11, 2016 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, 2015.

LAST CHANCE FOR ANIMALS

SUPPLEMENTAL INFORMATION SCHEDULE OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2015

	EDUCATION & PUBLIC OUTREACH	INVESTIGATIONS	FUNDRAISING	GENERAL & ADMINISTRATION	TOTAL EXPENSES
Payroll Expense	298,623	309,644	19,632	8,965	\$ 636,864
Direct Mail	332,329	-	83,082	-	\$ 415,411
Investigations Fees & Expenses	-	182,836	-	-	\$ 182,836
Professional Fees	109,895	9,515	11,090	1,859	\$ 132,358
Advertising	116,059	-	1,338	-	\$ 117,397
Insurance Expense	41,974	39,094	424	409	\$ 81,900
Computer Expense	49,324	13,773	2,041	4,928	\$ 70,066
Rent & Parking	34,914	27,931	4,190	2,793	\$ 69,829
Employee Benefits	13,000	36,400	1,560	1,040	\$ 52,000
Public Relations	29,000	5,900	-	-	\$ 34,900
Delivery & Postage	20,675	5,091	4,133	41	\$ 29,940
Travel	16,606	10,360	-	-	\$ 26,966
Depreciation Exp	22,660	5,963	-	-	\$ 28,623
Animal News Van Expenses	22,934	-	-	-	\$ 22,934
Donation Processing Fees	-	-	22,053	-	\$ 22,053
Meals & Ent Expense	9,700	8,508	54	67	\$ 18,329
Campaigns	14,523	-	-	-	\$ 14,523
Charitable Registration Fees	-	-	12,581	-	\$ 12,581
Telephone Expense	6,014	4,809	757	921	\$ 12,502
Investment Advisory Fees	-	-	-	11,558	\$ 11,558
Film & Video	8,020	495	-	-	\$ 8,515
Press Conferences & Releases	5,518	2,966	-	-	\$ 8,484
Office Expense	4,227	2,351	349	711	\$ 7,638
Education & Outreach	5,943	144	-	-	\$ 6,088
Bank & Interest Charges	1,712	2,266	255	137	\$ 4,371
Loss on disposal of assets	-	-	3,548	-	\$ 3,548
Protest Expenses	3,250	-	-	-	\$ 3,250
Animal Welfare Expenses	2,944	-	-	-	\$ 2,944
Printing & Reproduction	1,956	693	-	-	\$ 2,649
Automobile Expense	1,498	962	-	-	\$ 2,461
Staff Recruiting	290	651	-	-	\$ 941
Per Diem	585	-	-	-	\$ 585
Contributions/Support Other Grp	514	-	-	-	\$ 514
Gift Expense	-	-	145	-	\$ 145
In Your Face Book Exp	31	-	-	-	\$ 31
Totals	\$ 1,174,718	\$ 670,354	\$ 167,231	\$ 33,429	\$ 2,045,733