LAST CHANCE FOR ANIMALS

(A CALIFORNIA NONPROFIT ORGANIZATION)

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

DECEMBER 31, 2014

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, 2014, 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, 2014, 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 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, 2015

LAST CHANCE FOR ANIMALS

STATEMENT OF FINANCIAL POSITION

December 31, 2014

ASSETS		
Current Assets		
Cash	$	546,964
Contributions receivable (Note 1)		97,334
Prepaid expenses		20,910
Total current assets		665,208
Investments - at market (Note 2)		1,064,375
Property, equipment and intangible assets, net (Note 3 & 4)		86,792
Other assets		9,350
TOTAL ASSETS	$	1,825,725
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	$	106,864
Line of credit		2
Commitments (Note 6)		-
Total current liabilities		106,866
Net Assets		
Unrestricted		1,618,859
Permanently restricted		100,000
Total net assets		1,718,859
TOTAL LIABILITIES AND NET ASSETS	$	1,825,725

LAST CHANCE FOR ANIMALS

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2014

Support and revenue		
Donations and contributions	$	1,951,658
Bequests		310,456
Gain on sale of securities		737
Royalties		2,889
Books and merchandise		978
Interest & dividend income		30,820
Miscellaneous income		1,128
Total support and revenue		2,298,666
Expenses		
Program services (Note 15)		1,686,556
Fundraising		177,990
Management and general		57,109
Total expenses		1,921,655
Change in net assets from operations		377,011
Non-operating activities		
Market adjustment - available-for-sale securities (Note 2)		29,857
Total non-operating activities		29,857
Change in net assets from activities		406,868
Net assets - beginning of year		1,311,991
Net assets - end of year	$	1,718,859

See accompanying notes to financial statements.

LAST CHANCE FOR ANIMALS

STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2014

Cash flows from operating activities		
Change in net assets	$	377,011
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Amortization		2,000
Depreciation		18,096
Changes in operating assets and liabilities:		
Contributions receivable		14,018
Prepaid expenses		13,605
Other assets		(3,000)
Accounts payable		42,328
Net cash provided from (used in) operating activities		464,058
Cash flows provided from (used in) investing activities		
Purchases of equipment		(68,449)
Purchases of intangibles		-
Endowment - Investment Account		(181,822)
Net cash provided from (used in) investing activities		(250,271)
Cash flows provided from (used in) financing activities		
Line of credit (Note 5)		-
Net increase in cash		213,787
Cash, beginning of the year		333,177
Cash, end of the year	$	546,964

December 31, 2014

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, 2014 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, the $100,000 is in an interest bearing cash or cash equivalent account as of December 31, 2014.

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, 2014, cash in excess of FDIC insured limits totaled $296,673 and investments in excess of SIPC insured limits totaled $564,375.

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, 2014 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 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, 2014. 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, 2014 are as follows:

Computer equipment	$	86,737
Investigative equipment		60,702
Office furniture and other equipment		32,156
Vehicle - Animal News Van		59,425
		239,020
Less: accumulated depreciation		(154,728)
	$	84,292

Depreciation for the year ended December 31, 2014 was $18,096

4. Intangibles

Major categories of intangibles at December 31, 2014 are as follows:

Website Design	$	10,000
		10,000
Less: accumulated amortization		(7,500)
	$	2,500

Amortization for the year ended December 31, 2014 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, 2014, with interest payable monthly. The Organization had $2 outstanding on the line of credit as of December 31, 2014.

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 $5,078 till August 31, 2016. 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, 2014 was $58,232. Rent expense commitments in 2015 and 2016 are $60,136 and $40,624 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 $461,131 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	$ 368,905
Fundraising	92,226
	$ 461,131

8. Allocation of program services expenses

For the year ended December 31, 2014, the Organization participated in the following programs:

Program Services	
Investigations	$ 502,538
Education and public outreach	1,184,018
	$ 1,686,556

9. Related party transaction

During the year ended December 31, 2014, 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 2014 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 2012.

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.

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 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 coast).

(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)

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.

13. Fair Value of Financial Instruments (continued)

The Organization's assets and liabilities measured at fair value on a recurring basis as of December 31, 2014, aggregated by the level in the fair value hierarchy, are included in cash and investments in the statement of position as follows:

2014 Assets	Level 1	Level 2	Level 3	Total	Valuation Technique (a,b,c)
Marketable securities	$ 1,064,375	$ -	$ -	$ 1,064,375	a
Cash equivalents	546,964	-	-	546,964	a
Total assets	$ 1,611,339	$ -	$ -	$ 1,611,339	

As a result of further analysis of the characteristics of certain financial instruments during the preparation of its 2014 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 during the year. Contributions to the plan during the year were $104,000. There are no unfunded benefits in connection with this plan for the year ended December 31, 2014.

15. Grants

On December 14, 2014, the Organization awarded $100,000 grant to Showing Animals Respect and Kindness (SHARK) a 501(c)(3) non-profit. The specific purposes for which this grant is given is to support SHARK's work in documenting and exposing animal cruelty; including exposing pigeon shoots, government deer slaughters and rodeos and other abusive entertainment venues.

16. Subsequent Events

Management evaluated events and transactions that occurred after the statement of financial position date through November 11, 2015 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, 2014.

LAST CHANCE FOR ANIMALS

SUPPLEMENTAL INFORMATION
SCHEDULE OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2014

	EDUCATION & PUBLIC OUTREACH	INVESTIGATIONS	FUNDRAISING	GENERAL & ADMINISTRATION	TOTAL EXPENSES
Payroll Expense	273,274	232,293	19,954	35,254	$ 560,775
Direct Mail	368,905	-	92,226	-	$ 461,131
Professional Fees	111,281	11,320	10,155	12,361	$ 145,117
Contributions/Grants	124,892	3,247	-	-	$ 128,139
Employee Benefits	26,000	72,800	3,120	2,080	$ 104,000
Investigations Fees & Expenses	158	92,196	-	-	$ 92,354
Rent	33,946	27,157	4,074	2,716	$ 67,892
Insurance Expense	19,340	19,121	3,583	275	$ 42,318
Advertising	28,789	-	8,659	-	$ 37,448
Computer Expense	28,434	5,582	1,601	1,425	$ 37,042
Delivery & Postage	16,784	3,031	2,002	120	$ 21,937
Public Relations	21,700	-	-	-	$ 21,700
Travel	15,467	4,703	-	-	$ 20,170
Animal News Van Expenses	19,011	-	-	-	$ 19,011
Donation Processing Fees	-	-	17,678	-	$ 17,678
Telephone Expense	7,795	6,290	903	951	$ 15,939
Meals & Ent Expense	9,421	6,023	-	-	$ 15,444
Office Expense	8,938	4,695	962	630	$ 15,225
Charitable Registration Fees	-	-	11,807	-	$ 11,807
Campaigns	10,796	-	-	-	$ 10,796
Relocation Expense	9,647	-	-	-	$ 9,647
Educational Event Expense	9,273	-	-	-	$ 9,273
Protest Expenses	6,002	-	-	-	$ 6,002
LCA Merchandise	5,196	-	-	-	$ 5,196
Film & Video	4,717	211	-	-	$ 4,928
Automobile Expense	4,558	362	-	-	$ 4,921
Printing & Reproduction	4,239	-	-	-	$ 4,239
Bank & Interest Charges	1,891	1,716	377	155	$ 4,139
Press Conferences & Releases	4,070	-	-	-	$ 4,070
Staff Recruiting	1,545	-	-	75	$ 1,620
Per Diem	527	600	-	-	$ 1,127
Depreciation Expense	6,421	10,391	770	514	$ 18,096
Amortization Expense	1,000	800	120	80	$ 2,000
Gift Expense	-	-	-	473	$ 473
Totals	$ 1,184,018	$ 502,538	$ 177,990	$ 57,109	$ 1,921,655