

LAST CHANCE FOR ANIMALS
(A CALIFORNIA NONPROFIT ORGANIZATION)

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

DECEMBER 31, 2010

LAST CHANCE FOR ANIMALS

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COHEN PAGANO

ACCOUNTANCY, INC.

INDEPENDENT AUDITORS' REPORT

Board of Directors
Last Chance for Animals

We have audited the accompanying statement of financial position of Last Chance for Animals, a non-profit organization (the "Organization"), as of December 31, 2010, and the related statements of activities and cash flows 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 financials 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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.

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, 2010, and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedule of functional expenses on Page 9 is presented for purposes of additional analysis and it not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole

Cohen Pagano Accountancy

Los Angeles, California

November 11, 2011

LAST CHANCE FOR ANIMALS

STATEMENT OF FINANCIAL POSITION

December 31, 2010

ASSETS

Current Assets

Cash	\$	46,299
Contributions receivable		203,906
Prepaid expenses		<u>10,513</u>

Total current assets 260,718

Property and equipment, net (Note 2) 15,634

Other assets (Note 9) 86,850

TOTAL ASSETS \$ 363,202

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts payable	\$	89,654
Line of credit payable (Note 3)		<u>22,857</u>

Total current liabilities 112,511

Net assets - unrestricted 250,691

TOTAL LIABILITIES AND NET ASSETS \$ 363,202

LAST CHANCE FOR ANIMALS

STATEMENT OF ACTIVITIES

Year Ended December 31, 2010

Support and revenue

Donations and contributions	\$ 822,104
Bequests	241,656
Contributed services	-
Royalties	2,628
Other income	8,022
Interest income	1

Total support and revenue 1,074,410

Expenses

Program services	804,794
Fundraising	160,038
Management and general	13,685

Total expenses 978,517

Change in net assets

95,893

Net assets - unrestricted, beginning of year

154,798

Net assets - unrestricted, end of year

\$ 250,691

LAST CHANCE FOR ANIMALS

STATEMENT OF CASH FLOWS

Year Ended December 31, 2010

Cash flows from operating activities

Change in net assets	\$	95,893
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation		4,256
Changes in operating assets and liabilities:		
Contributions receivable		(81,662)
Prepaid expenses		10,759
Other assets		(84,250)
Accounts payable		33,803

Net cash provided by operating activities (21,201)

Cash flows from investing activities

Purchases of equipment		(7,903)
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Cash flows from financing activities

Line of credit		22,857
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Net increase in cash (6,247)

Cash, beginning of the year 29,689

Cash, end of the year \$ 23,442

Interest expense \$ 392

Income taxes (Note 8) \$ -

LAST CHANCE FOR ANIMALS

NOTES TO FINANCIAL STATEMENTS

December 31, 2010

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 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, 2010 or 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, 2010 or during the year then ended.

Expense Allocation

Expenses are charged to program, fundraising activities, and management and general. 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

From time to time, the Organization is subject to concentrations of credit risk by maintaining cash balances in excess of Federal Deposit Insurance Corporation insurable limits. The Organization does not have cash in excess of insured limits at December 31, 2010.

LAST CHANCE FOR ANIMALS

NOTES TO FINANCIAL STATEMENTS

December 31, 2010

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.

LAST CHANCE FOR ANIMALS

NOTES TO FINANCIAL STATEMENTS

December 31, 2010

2. Property and equipment

Major categories of property and equipment at December 31, 2010 are as follows:

Computer equipment	\$	34,932
Investigative equipment		24,876
Office furniture and other equipment		18,965
Vehicle - Animal News Van		59,425
		<u>138,197</u>
Less: accumulated depreciation		<u>(122,563)</u>
	\$	<u>15,634</u>

Depreciation for the year ended December 31, 2010 was \$ 4,256.

3. 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 2.00%, which was 10.25% as of December 31, 2010, with interest payable monthly. The Organization had a balance due of \$22,857 on the line of credit as of December 31, 2010.

4. Commitments

The Organization had a noncancellable operating lease for its office space that expired in June 2010. As of July 2010, the lease has been continued on a month to month basis at a rate of \$3,790 per month. 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, 2010 was \$47,880.

5. 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 \$262,906 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:

Program	\$	212,324
Fundraising		50,582
	\$	<u>262,906</u>

LAST CHANCE FOR ANIMALS

NOTES TO FINANCIAL STATEMENTS

December 31, 2010

6. Allocation of program services expenses

For the year ended December 31, 2010, the Organization participated in the following programs:

Program services	
Investigations	\$ 213,502
Education and public outreach	<u>591,292</u>
	\$ <u>804,794</u>

7. Related party transactions

During the year ended December 31, 2010, there were no related party transactions.

8. 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 2010 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 2008.

9. Other assets

On December 6, 2010, the Organization received donated real estate with a fair market value of \$84,250. The land and property were recorded as other assets with a book value equal to the fair market value at the date received.

10. Policies

As of December 31, 2010, the Organization has implemented additional systems of internal control. A committee was established to assume 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 were written and distributed to the employees and board of directors.

LAST CHANCE FOR ANIMALS

SUPPLEMENTAL INFORMATION SCHEDULE OF FUNCTIONAL EXPENSES

December 31, 2010

	Education & Public Outreach	Investigations	Fundraising	Management and General	Total
Payroll	\$ 155,009	\$ 145,097	\$ 58,331	\$ 4,205	\$ 362,643
Direct mailings	212,324	-	50,582	-	262,906
Rent and parking	28,340	17,004	7,935	3,401	56,680
Campaigns & Events	47,569	-	-	-	47,569
Insurance	19,891	14,176	3,398	956	38,420
Professional fees	13,028	3,917	11,845	783	29,574
Travel	23,647	-	-	-	23,647
Delivery & Postage	14,664	1,882	3,485	675	20,706
Investigations & Expenses	-	19,980	-	-	19,980
Public Relations & Advertising	17,447	-	1,202	-	18,649
Office expense	9,655	2,456	1,539	1,279	14,929
Computer and internet expense	12,765	447	599	152	13,964
Merchant fees	-	-	11,558	-	11,558
Telephone	5,687	3,328	1,539	660	11,214
Meals & entertainment expense	5,518	1,587	1,250	106	8,462
Tax deductible support	7,500	-	-	-	7,500
Animal News Van expenses	7,259	-	-	-	7,259
Finance and bank charges	2,767	1,939	1,013	1,045	6,765
Interest expense	391	-	-	-	391
Charitable registration	-	-	4,763	-	4,763
Automobile expense	1,974	1,529	487	209	4,199
Depreciation	3,532	-	511	213	4,256
Film & Video expense	1,035	27	-	-	1,062
Printing & reproduction	904	-	-	-	904
Education & Outreach expense	305	-	-	-	305
Gift expense	80	132	-	-	212
	<u>\$ 591,292</u>	<u>\$ 213,502</u>	<u>\$ 160,038</u>	<u>\$ 13,685</u>	<u>\$ 978,517</u>