

LAST CHANCE FOR ANIMALS
(A CALIFORNIA NONPROFIT ORGANIZATION)

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

DECEMBER 31, 2011

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, 2011, 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 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 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, 2011, 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 10 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 16, 2012

LAST CHANCE FOR ANIMALS

STATEMENT OF FINANCIAL POSITION

December 31, 2011

ASSETS

Current Assets

Cash	\$	177,218
Contributions receivable		52,407
Prepaid expenses		<u>31,187</u>

Total current assets 260,812

Property and equipment, net (Note 2) 25,586

Intangibles, net (Note 3) 8,500

Other assets (Note 10) 6,350

TOTAL ASSETS \$ 301,248

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts payable \$ 22,237

Total current liabilities 22,237

Net assets - unrestricted 279,011

TOTAL LIABILITIES AND NET ASSETS \$ 301,248

LAST CHANCE FOR ANIMALS

STATEMENT OF ACTIVITIES

Year Ended December 31, 2011

Support and revenue

Donations and contributions	\$ 857,344
Bequests	234,176
Contributed services and goods	4,800
Royalties	2,284
Other income	7,408
Interest income	-
	<hr/>
Total support and revenue	1,106,012

Expenses

Program services	888,662
Fundraising	129,569
Management and general	59,461
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Total expenses	1,077,692

Change in net assets

28,320

Net assets - unrestricted, beginning of year

250,691

Net assets - unrestricted, end of year

\$ 279,011

LAST CHANCE FOR ANIMALS

STATEMENT OF CASH FLOWS

Year Ended December 31, 2011

Cash flows from operating activities	
Change in net assets	\$ 28,320
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Amortization	1,500
Depreciation	7,206
Changes in operating assets and liabilities:	
Contributions receivable	151,499
Prepaid expenses	(20,674)
Other assets	80,500
Accounts payable	<u>(67,417)</u>
Net cash provided by operating activities	180,934
Cash flows from investing activities	
Purchase of equipment	(17,158)
Purchase of intangibles	<u>(10,000)</u>
Net cash provided by investing activities	(27,158)
Cash flows from financing activities	
Line of credit	<u>(22,857)</u>
Net increase in cash	130,919
Cash, beginning of the year	<u>46,299</u>
Cash, end of the year	<u><u>\$ 177,218</u></u>
Interest expense	\$ 3,592
Income taxes (Note 9)	\$ -

See accompanying notes to financial statements.

LAST CHANCE FOR ANIMALS

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

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 Entities*.

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, 2011 and received 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 the 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, 2011 and received none during the year then ended.

Expense Allocation

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

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, 2011.

LAST CHANCE FOR ANIMALS

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

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.

Intangibles

Intangibles are reported at cost. When intangibles are retired or otherwise disposed of, the cost and accumulated amortization are removed from the accounts and any resulting gain or loss is included in the activities for the respective period. Amortization is provided using the straight line 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.

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NOTES TO FINANCIAL STATEMENTS

December 31, 2011

2. Property and equipment

Major categories of property and equipment at December 31, 2011 are as follows:

Computer equipment	\$	40,049
Investigative equipment		36,916
Office furniture and other equipment		18,965
Vehicle - Animal News Van		59,425
		<u>155,355</u>
Less: accumulated depreciation		<u>(129,769)</u>
	\$	<u>25,586</u>

Depreciation for the year ended December 31, 2011 was \$ 7,206.

3. Intangibles

Major categories of intangibles at December 31, 2011 are as follows:

Website Design	\$	10,000
		<u>10,000</u>
Less: accumulated amortization		<u>(1,500)</u>
	\$	<u>8,500</u>

Amortization for the year ended December 31, 2011 was \$ 1,500.

4. 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, 2011, with interest payable monthly. The Organization had a zero balance due on the line of credit as of December 31, 2011.

5. 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 \$3,990 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, 2011 was \$47,780.

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NOTES TO FINANCIAL STATEMENTS

December 31, 2011

6. 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 \$330,900 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	\$	264,720
Fundraising		<u>66,180</u>
	\$	<u>330,900</u>

7. Allocation of program services expenses

For the year ended December 31, 2011, the Organization participated in the following programs:

Investigations	\$	236,433
Education and public outreach		<u>652,229</u>
	\$	<u>888,662</u>

8. Related party transactions

During the year ended December 31, 2011, there were no related party transactions.

9. 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 2011 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 2019.

10. Other assets

On December 6, 2010, the Organization received donated real estate with a fair market value of \$84,250. The land was recorded as other assets with a book value equal to the fair market value at the date received. In 2011, \$80,500 of the assets was disposed of leaving \$3,750 at year end.

11. Policies

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

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whistleblowers were written and distributed to the employees and board of directors.

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

12. Subsequent Events

Management evaluated events and transactions that occurred after the statement of financial position date through November 16, 2012 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, 2011.

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SUPPLEMENTAL INFORMATION SCHEDULE OF FUNCTIONAL EXPENSES

December 31, 2011

	Education & Public Outreach	Investigations	Fundraising	Management and General	Total
Payroll Expense	\$ 156,500	\$ 131,970	\$ 16,016	\$ 48,146	\$ 352,632
Direct Mailings	264,720	-	66,180	-	330,900
Rent and Parking	28,650	22,920	3,438	2,292	57,300
Campaigns & Events	14,629	-	1,416	-	16,045
Insurance	1,398	1,118	168	119	2,803
Professional Fees	63,545	6,025	10,113	602	80,285
Travel	9,363	7,854	-	-	17,217
Delivery & Postage	22,659	1,463	4,616	162	28,900
Investigators & Expenses	-	26,321	-	-	26,321
Advertising	11,834	-	2,320	-	14,154
Office Expense	9,085	3,266	854	1,836	15,041
Computer & Internet Expense	12,333	2,818	366	245	15,762
Donation Processing Fees	-	-	10,675	-	10,675
LCA Merchandise	1,813	-	-	-	1,813
Telephone	5,170	4,135	620	413	10,338
Meals & Entertainment Expense	8,947	2,570	108	113	11,738
Gift Expense	500	-	-	-	500
Animal News Van Expenses	11,202	-	-	-	11,202
Bank Charges	2,370	1,747	459	192	4,768
Interest Expense	1,790	1,441	214	147	3,592
Charitable Registration Fees	-	-	4,865	-	4,865
Automobile Expense	2,900	1,710	225	148	4,983
Animal Welfare Rescue	2,782	-	-	-	2,782
Protest Expense	2,393	-	-	-	2,393
Depreciation	3,604	2,882	432	288	7,206
Film & Video Expense	1,892	-	-	-	1,892
Printing & Reproduction	6,313	-	3,875	-	10,188
Employee Benefits	4,337	18,193	2,609	4,758	29,897
Amortization Expense	1,500	-	-	-	1,500
	<u>\$ 652,229</u>	<u>\$ 236,433</u>	<u>\$ 129,569</u>	<u>\$ 59,461</u>	<u>\$ 1,077,692</u>