

LAST CHANCE FOR ANIMALS
(A CALIFORNIA NONPROFIT ORGANIZATION)

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

DECEMBER 31, 2022

LAST CHANCE FOR ANIMALS

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COHEN PAGANO ACCOUNTANCY

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Last Chance for Animals

Opinion

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, 2022, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

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, 2022, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Last Chance for Animals and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Last Chance for Animal's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Last Chance for Animal's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Last Chance for Animal's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.



Los Angeles, California
September 15, 2023

LAST CHANCE FOR ANIMALS

STATEMENT OF FINANCIAL POSITION

December 31, 2022

ASSETS

Current Assets

Cash	\$	1,085,720
Contributions receivable (Note 1)		412,282
Prepaid expenses		<u>73,936</u>
Total current assets		1,571,938

Investments - at market (Note 2)

2,644,225

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

128,449

Other assets

3,874

TOTAL ASSETS

\$ 4,348,486

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts payable	\$	254,559
Line of credit		-
Commitments		<u>-</u>
Total current liabilities		254,559

Net Assets

Unrestricted		5,138,848
Market adjustment - available-for-sale securities		<u>(1,044,921)</u>
Total net assets		4,093,927

TOTAL LIABILITIES AND NET ASSETS

\$ 4,348,486

LAST CHANCE FOR ANIMALS

STATEMENT OF ACTIVITIES

Year Ended December 31, 2022

Support and revenue	
Donations and contributions	\$ 1,682,738
Grants	440,000
Bequests	1,557,648
Royalties	329
Gain on sales of securities	(131,345)
Books and merchandise	242
Misc. Income	-
Interest income	133,923
	<u>3,683,535</u>
Total support and revenue	
	<u>3,683,535</u>
Expenses	
Program services	3,258,855
Fundraising	318,170
Management and general	48,733
	<u>3,625,758</u>
Total expenses	
	<u>3,625,758</u>
Change in net assets from operations	
	<u>57,777</u>
Non-operating activities	
Market adjustment - available-for-sale securities (Note 2)	<u>(1,044,921)</u>
Total non-operating activities	
	<u>(1,044,921)</u>
Change in net assets from activities	
	<u>(987,144)</u>
Net assets - beginning of year	<u>5,081,071</u>
Net assets - end of year	<u>\$ 4,093,927</u>

LAST CHANCE FOR ANIMALS

STATEMENT OF CASH FLOWS

Year Ended December 31, 2022

Cash flows from operating activities	
Change in net assets	\$ 57,777
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Amortization	14,747
Depreciation	23,704
Changes in operating assets and liabilities:	
Contributions receivable	(80,677)
Refunds receivable	1,505
Prepaid expenses	10,269
Other assets	(1,274)
Market Adjustment	(1,044,921)
Accounts payable	39,519
	<hr/>
Net cash provided from (used in) operating activities	(979,351)
Cash flows provided from (used in) investing activities	
Purchases of equipment	(53,570)
Purchases of intangibles	(5,272)
Endowment - Investment Account	1,372,810
Net cash provided from (used in) investing activities	1,313,968
Cash flows provided from (used in) financing activities	
Line of credit (Note 5)	-
	<hr/>
Net increase in cash	334,617
Cash, beginning of the year	<hr/> 751,103
Cash, end of the year	<hr/> \$ 1,085,720 <hr/>

See accompanying notes to financial statements.

LAST CHANCE FOR ANIMALS

NOTES TO FINANCIAL STATEMENTS

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 ending animal abuse and exploitation through investigations, education, public outreach, advocacy, and campaigns.

COVID-19 pandemic - At the time of this report's release, citizens and the economies of the United States and other countries have been impacted by the coronavirus (COVID-19) pandemic. The World Health Organization declared a Public Health Emergency on January 30, 2020. The evolution of the virus, the extent of its economic impact and the results of steps taken and yet to be taken by governments and financial institutions are unknown. Governments, businesses, and non-profit organizations have faced supply chain disruptions, labor shortages, revenue declines, an increase in bad debts, reduced cash flow, difficulties meeting loan covenants, goodwill and inventory impairment, credit difficulties, and other financial implications. Furthermore, the financial markets have experienced significant levels of volatility as a result of the pandemic. The significance and the duration of the pandemic's fiscal impact are indeterminable.

Basis of Accounting

The Organization uses the accrual method 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. 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 on December 31, 2022, and had 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 passage of time nor can be fulfilled or otherwise removed by actions of the Organization. The Organization has no permanently restricted net assets on December 31, 2022 and had none during the year then ended.

Expense Allocation

Expenses are charged to program, fundraising, and management/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.

LAST CHANCE FOR ANIMALS

NOTES TO FINANCIAL STATEMENTS

1. Nature of Organization and summary of significant accounting policies (continued)

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. As of December 31, 2022, cash in excess of FDIC insured limits totaled \$835,719 and investments in excess of SIPC insured limits totaled \$2,144,225.

Investments are held at a single investment brokerage company and are 60.81% of total assets on December 31, 2022.

Cash and Cash Equivalents

The Organization considers all highly liquid debt instruments with original maturities of three months or less to be cash equivalents. Deposits at financial institutions are insured in limited amounts by the Federal Deposit Insurance Corporation (FDIC) and Securities Investor Protection Corporation (SIPC).

Contributions Receivable

The Organization records unconditional promises to give (contributions receivable) and are recognized as support in the period the promise is received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional contributions receivable contains a donor-imposed condition that represents a barrier that must be overcome before the Organization is entitled to the assets promised. Failure to overcome the barrier gives the promisor a right of release from its obligation to transfer its assets. Conditional contributions receivable is recognized only when the conditions on which they depend are substantially met. Unconditional contributions receivable that are to be collected within one year are recorded at net realizable value. Unconditional contributions receivable that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using rates applicable to the years in which the promises are received. Receivables are stated at the amount management expects to collect. Management provides for probably uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on their assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to receivables. Contributions receivable as of December 31, 2022, are considered by management to be collectible in full and, accordingly, an allowance for doubtful accounts is not considered necessary. On December 31, 2022, all contributions receivables were due within one year.

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. 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.

LAST CHANCE FOR ANIMALS

NOTES TO FINANCIAL STATEMENTS

1. Nature of Organization and summary of significant accounting policies (continued)

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 organized as a California non-profit corporation and has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3) and has been determined not to be a private foundation under Sections 509(a)(1) and 170(b)(1)(A)(vi). Accordingly, contributions to the Organization qualify for the charitable contribution deduction under Section 170. The Organization is generally subject to income tax on net income that is derived from business activities that are unrelated to its exempt purpose. Management has determined the Organization has no taxable unrelated business income related to the Organization activities and it has not filed the Exempt Organization Business Income Tax Return (IRS Form 990-T). The tax years ended 2019, 2020, and 2021 are still open to audit for both federal and state purposes.

Management believes that it has appropriate support for any income tax positions taken, and, as such, does not have any uncertain tax positions that are material to the financial statements. The Organization would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred.

2. Investments

Investment income includes interest, dividends, realized and unrealized gains and losses and is reflected in net of direct investment fees and expenses. Investments represent 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, 2022. Gains and losses on sales of securities are recognized when sold. Unrealized increases and decreases in value are recorded during the year and as an adjustment to unrestricted net assets.

LAST CHANCE FOR ANIMALS

NOTES TO FINANCIAL STATEMENTS

3. Property and equipment

Major categories of property and equipment on December 31, 2022, are as follows:

Computer equipment	\$	163,722
Investigative equipment		144,679
Computer software		4,550
Office furniture and other equipment		36,277
Vehicle - Animal News Van		<u>59,425</u>
		408,653
Less: accumulated depreciation		<u>(333,112)</u>
	\$	<u>75,541</u>

Depreciation for the year ended December 31, 2022, was \$23,704.

4. Intangibles

Major categories of intangibles on December 31, 2022, are as follows:

Website Design	\$	<u>123,252</u>
		123,252
Less: accumulated amortization		<u>(70,344)</u>
	\$	<u>52,908</u>

Amortization for the year ended December 31, 2022, was \$14,747.

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 variable rate which was 10.25% as of December 31, 2022, with interest payable monthly. The Organization had no amounts outstanding on the line of credit as of December 31, 2022.

6. Commitments

The Organization renewed a non-cancellable operating lease for its office space on September 1, 2021, through August 31, 2024. The monthly lease payments of \$7,013 began September 1, 2021, and increased to \$7,220 on September 1, 2022. 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, 2022, was \$87,985, which included \$84,985 for the operating lease and \$3,000 for monthly parking. Future minimum payments for the operating lease are as follows:

LAST CHANCE FOR ANIMALS

NOTES TO FINANCIAL STATEMENTS

Years ending December 31,

2023	87,494
2024	59,469
	<u>\$ 146,963</u>

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 \$626,037 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	500,830
Fundraising	<u>125,207</u>
	<u>\$ 626,037</u>

8. Allocation of program services expenses

For the year ended December 31, 2022, the Organization participated in the following programs:

Program Services	
Investigations	\$ 841,235
Education and public outreach	<u>2,417,620</u>
	<u>\$ 3,258,855</u>

9. Related party transaction

During the year ended December 31, 2021, 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 2022 was \$200.

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 2020.

11. 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

NOTES TO FINANCIAL STATEMENTS

12. Fair Value of Financial Instruments

The Organization applies the principles of ASC 820, *Fair Value Measurement*, for all financial assets and liabilities that are recognized or disclosed at fair value in the financial statements. This standard defines fair value, establishes a consistent framework for measuring fair value, and expands disclosure for each major asset and liability category measured at fair value on either a recurring or nonrecurring basis. The standard clarifies that fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. As a basis for considering such assumptions, the Organization establishes a three-level fair value hierarchy that prioritizes the inputs used in measuring fair value as follows:

Level 1 Assets that have readily observable prices (quoted prices in active markets accessible at the measurement date for assets). The fair value hierarchy gives the higher priority to *Level 1* inputs.

Level 2 Assets that are based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Financial assets and liabilities in this category generally include asset-backed securities, corporate bonds and loans, municipal bonds, forward contracts, future contracts, interest and credit swap agreements, options, and interest rate swaps.

Level 3 Assets whose fair value cannot be determined by using observable measures and can only be calculated using estimates or risk-adjusted value ranges, when little or no market data is available. The inputs into the determination of fair value require management's judgment or estimation of assumptions that market participants would use in pricing the assets or liabilities. The fair values are, therefore, determined using factors that involve considerable judgement and interpretations, including, but not limited to, private and public comparable, third-party appraisals, discounted cash flow models, and fund manager estimates. The fair value hierarchy gives lower priority to *Level 3* inputs.

Assets and liabilities measure at fair value are based on one or more of three valuation techniques noted below:

- (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).

2022

Assets	Level 1	Level 2	Level 3	Total
Marketable securities	\$ 2,644,225	\$ -	\$ -	\$ 2,644,225
Cash Equivalents	\$ 1,085,719	-	-	\$ 1,085,719
Total Assets	\$ 3,729,944			\$ 3,729,944

As a result of further analysis of the characteristics of certain financial instruments during the preparation of its 2022 financial statement disclosures, the Organization has determined that all of its financial instruments are measured at Level 1.

LAST CHANCE FOR ANIMALS

NOTES TO FINANCIAL STATEMENTS

13. Schedule of Functional Expenses

	EDUCATION & PUBLIC			GEN & ADMIN	TOTAL
	OUTREACH	INVESTIGATIONS	FUNDRAISING		
Payroll	288,811	410,004	50,052	4,925	753,792
Direct Mail	500,830	-	125,207	-	626,037
So Korea Dog Meat	305,745	72,739	-	-	378,484
Campaigns	317,382	-	-	-	317,382
Public Relations	223,346	-	-	-	223,346
Professional Fees	84,690	101,671	6,207	3,507	196,075
Educational Events	145,145	-	41,689	-	186,834
Employee Benefits	67,785	37,920	4,025	1,220	110,950
Computer Expense	78,795	10,458	2,880	974	93,107
Investigations Fees & Exp	-	92,221	-	-	92,221
Rent	43,993	35,194	5,279	3,519	87,985
Contributions	86,221	-	-	-	86,221
Lobbying	69,346	-	-	-	69,346
Donation Processing Fees	-	-	61,204	-	61,204
Insurance	27,584	21,929	3,279	2,267	55,059
Polling	30,000	-	-	-	30,000
Investment Advisory Fees	-	-	-	28,744	28,744
Meals & Entertainment	21,185	3,896	-	-	25,081
LCA Europe Investigations	-	19,927	-	-	19,927
Animal News Van Expense	16,793	-	-	-	16,793
Printing and Reproduction	12,919	-	882	-	13,801
Protests & Petitions	12,975	-	-	-	12,975
Delivery & Postage	4,732	4,952	2,623	77	12,384
Charitable Registration Fees	-	-	11,353	-	11,353
Office Expense	6,138	2,045	307	2,020	10,509
Press Releases	10,472	-	-	-	10,472
Dues and Subscriptions	8,776	-	835	-	9,612
Telephone Expense	6,897	2,122	318	212	9,549
Social media Expenses	7,961	-	-	-	7,961
Bank & Interest Charges	3,133	2,557	526	266	6,482
Automobile Expense	6,393	-	-	-	6,393
Travel	6,369	-	-	-	6,369
Film & Video	4,548	-	-	-	4,548
Advertising	3,650	-	-	-	3,650
Staff Recruiting	2,176	105	-	-	2,281
Gifts	313	66	-	-	378
Amortization Expense	12,519	-	1,502	726	14,747
Depreciation Expense	-	23,428	-	276	23,704
Totals	2,417,620	841,235	318,170	48,733	3,625,758

LAST CHANCE FOR ANIMALS

NOTES TO FINANCIAL STATEMENTS

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 2022 were \$51,250. There are no unfunded benefits in connection with this plan for the year ended December 31, 2022.

15. Subsequent Events

Management evaluated events and transactions that occurred after the statement of financial position date through September 15, 2023, 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, 2022.