

**LAST CHANCE FOR ANIMALS**  
**(A CALIFORNIA NONPROFIT ORGANIZATION)**

FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITORS' REPORT

DECEMBER 31, 2017

# LAST CHANCE FOR ANIMALS

## CONTENTS

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<b>Independent Auditors' Report</b>	1
<b>Financial Statements</b>	
Statement of Financial Position	2
Statement of Activities	3
Statement of Cash Flows	4
Notes to Financial Statements	5-10
<b>Supplemental Information</b>	
Schedule of Functional Expenses	11

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, 2017, 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, 2017, 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.

The logo for Cohen Pagano Accountancy, featuring the company name in a blue, cursive script font.

Los Angeles, California

November 15, 2018

# LAST CHANCE FOR ANIMALS

## STATEMENT OF FINANCIAL POSITION

December 31, 2017

### ASSETS

#### Current Assets

Cash	\$	376,373
Contributions receivable (Note 1)		112,664
Prepaid expenses		<u>101,485</u>
Total current assets		590,523

Investments - at market (Note 2)		2,372,302
Restricted investments - at market (Note 1)		100,000
Property, equipment and intangible assets, net (Note 3 & 4)		55,647
Other assets		<u>3,692</u>

**TOTAL ASSETS** **\$ 3,122,163**

### LIABILITIES AND NET ASSETS

#### Current Liabilities

Accounts payable	\$	99,198
Line of credit		-
Commitments		<u>-</u>
Total current liabilities		99,198

#### Net Assets

Unrestricted		2,728,815
Permanently restricted		100,000
Market adjustment - available-for-sale securities		<u>194,150</u>
Total net assets		3,022,965

**TOTAL LIABILITIES AND NET ASSETS** **\$ 3,122,163**

# LAST CHANCE FOR ANIMALS

## STATEMENT OF ACTIVITIES

Year Ended December 31, 2017

### Support and revenue

Donations and contributions	\$ 1,582,398
Grants	-
Bequests	2,128,663
Royalties	1,602
Loss on sale of securities	(7,041)
Books and merchandise	531
Interest & dividend income	41,658

Total support and revenue 3,747,811

### Expenses

Program services	2,233,043
Fundraising	205,973
Management and general	33,168

Total expenses 2,472,184

Change in net assets from operations 1,275,627

### Non-operating activities

Market adjustment - available-for-sale securities (Note 2)	<u>194,150</u>
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Total non-operating activities 194,150

**Change in net assets from activities** 1,469,777

**Net assets - beginning of year** 1,553,188

**Net assets - end of year** \$ 3,022,965

# LAST CHANCE FOR ANIMALS

## STATEMENT OF CASH FLOWS

Year Ended December 31, 2017

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### Cash flows from operating activities

Change in net assets from operations	\$ 1,275,627
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Amortization	-
Depreciation	18,188
Changes in operating assets and liabilities:	
Contributions receivable	31,354
Prepaid expenses	(49,167)
Other assets	(1,092)
Market adjustment	194,150
Accounts payable	54,887

**Net cash provided from (used in) operating activities** 1,523,947

### Cash flows provided from (used in) investing activities

Purchases of equipment	(13,825)
Purchases of intangibles	-
Purchases of investments - net	(1,213,742)

**Net cash provided from (used in) investing activities** (1,227,567)

### Cash flows provided from (used in) financing activities

Line of credit (Note 5)	-
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**Net increase in cash** 296,380

**Cash, beginning of the year** 79,993

**Cash, end of the year** \$ 376,373

# LAST CHANCE FOR ANIMALS

## NOTES TO FINANCIAL STATEMENTS

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### 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.

#### *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 at December 31, 2017 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 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, 2017.

#### *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.

#### *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, 2017, cash in excess of FDIC insured limits totaled \$126,373 and investments in excess of SIPC insured limits totaled \$1,972,302.

# LAST CHANCE FOR ANIMALS

## NOTES TO FINANCIAL STATEMENTS

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### 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 at the date of issuance to be cash equivalents.

#### *Contributions Receivable*

The Organization records all unconditional promises to give as of December 31, 2017 as contributions receivable. These contributions are all received within 60 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 60 days. This is also the reason that there are no allowances for uncollectible donations receivable.

#### *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.

#### *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

## 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, 2017. Realized gains and losses on sales of securities are recognized when sold. Unrealized increases and decreases in value are recorded during the year as an adjustment to unrestricted net assets.

## 3. Property and equipment

Major categories of property and equipment at December 31, 2017 are as follows:

Computer equipment	\$	106,500
Investigative equipment		75,867
Office furniture and other equipment		33,485
Vehicle - Animal News Van		59,425
		275,277
Less: accumulated depreciation		<u>(219,630)</u>
	\$	<u>55,647</u>

Depreciation for the year ended December 31, 2017 was \$18,188.

## 4. Intangibles

Major categories of intangibles at December 31, 2017 are as follows:

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

Amortization for the year ended December 31, 2017 was \$0.

## 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, 2017, with interest payable monthly. The Organization had no amounts outstanding on the line of credit as of December 31, 2017.

# LAST CHANCE FOR ANIMALS

## 6. Commitments

The Organization renewed a non-cancellable operating lease for its office space on September 1, 2016 through August 31, 2021. The monthly lease payments of \$6,009 began September 1, 2016 and increased on September 1, 2017 to \$6,246. 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, 2017 was \$73,058. Future minimum payments are as follows:

Years ending December 31,	
2018	75,933
2019	78,922
2020	82,032
2021	56,105
2022	56,233
	<u>\$ 349,225</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 \$432,994 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	344,015
Fundraising	88,979
	<u>\$ 432,994</u>

## 8. Allocation of program services expenses

For the year ended December 31, 2017, the Organization participated in the following programs:

Program Services	
Investigations	\$ 658,426
Education and public outreach	1,574,617
	<u>\$ 2,233,043</u>

# LAST CHANCE FOR ANIMALS

## 9. Related party transaction

During the year ended December 31, 2017, 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 2017 was \$150.

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 2014.

## 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.

## 12. 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*. Amounts 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

## 12. 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, 2017, aggregated by the level in the fair value hierarchy, are included in cash and investments in the statement of financial position as follows:

2017						Technique
Assets	Level 1	Level 2	Level 3	Total	(a,b,c)	
Marketable securities	\$ 2,472,302	\$ -	\$ -	\$ 2,472,302		a
Cash Equivalents	\$ 376,373	\$ -	\$ -	\$ 376,373		a
Total Assets	\$ 2,848,675	\$ -	\$ -	\$ 2,848,675		

As a result of further analysis of the characteristics of certain financial instruments during the preparation of its 2017 financial statement disclosures, the Organization has determined that all of its financial instruments are measured at Level 1 and valued using technique a.

## 13. Pension Plan

Upon approval from the Board of Directors, the Organization established a discretionary profit sharing plan in 2014. Contributions to the plan during 2017 were \$54,000. There are no unfunded benefits in connection with this plan for the year ended December 31, 2017.

## 14. Subsequent Events

Management evaluated events and transactions that occurred after the statement of financial position date through November 15, 2018 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, 2017.

# LAST CHANCE FOR ANIMALS

## SUPPLEMENTAL INFORMATION SCHEDULE OF FUNCTIONAL EXPENSES

Year Ended December 31, 2017

	EDUCATION & PUBLIC OUTREACH	INVESTIGATIONS	FUNDRAISING	GENERAL & ADMIN	TOTAL
Payroll Expense	316,702	167,206	47,425	4,246	\$ 535,579
Campaigns	378,075	-	-	-	\$ 378,075
Direct Mail	266,425	-	66,606	-	\$ 333,031
Investigations Fees & Expenses	-	264,561	-	-	\$ 264,561
Professional Fees	102,371	14,225	10,905	2,214	\$ 129,715
Educational Event Expense	77,591	-	22,373	-	\$ 99,963
Public Relations	83,206	16,096	-	-	\$ 99,301
Insurance Expense	59,141	33,791	1,557	2,138	\$ 96,627
Rent	41,029	32,823	4,923	3,282	\$ 82,058
Contributions/Support Other Grp	3,394	69,720	-	-	\$ 73,114
Computer Expense	43,984	12,621	2,853	1,678	\$ 61,136
EE Benefits	27,000	21,600	4,320	1,080	\$ 54,000
Travel	27,864	3,749	-	-	\$ 31,613
Protest & Petition Exp	29,805	-	-	-	\$ 29,805
Animal News Van Expenses	26,091	-	-	-	\$ 26,091
Delivery & Postage	21,249	467	3,131	219	\$ 25,067
Donation Processing Fees	-	-	23,818	-	\$ 20,591
Meals & Entertainment Exp	15,566	5,050	-	-	\$ 20,616
Depreciation Exp	6,297	10,632	756	504	\$ 18,188
Investment Advisory Fees	-	-	-	15,092	\$ 15,092
Office Expense	7,917	3,214	463	2,288	\$ 13,882
Advertising	5,422	-	7,660	-	\$ 13,082
Film & Video	12,312	-	-	-	\$ 12,312
Press Conferences & Releases	11,104	-	-	-	\$ 11,104
Charitable Registration Fees	-	-	6,565	-	\$ 6,565
Telephone Expense	5,213	-	-	277	\$ 5,490
Bank & Interest Charges	1,366	2,211	320	150	\$ 4,046
Automobile Expense	2,525	80	-	-	\$ 2,605
Printing and Reproduction	1,248	-	1,065	-	\$ 2,313
Gift Expense	146	-	1,234	-	\$ 1,380
Staff Recruiting	669	375	-	-	\$ 1,044
In Your Face Book Expenses	912	-	-	-	\$ 912
<b>Totals</b>	<b>\$ 1,574,621</b>	<b>\$ 658,422</b>	<b>\$ 205,973</b>	<b>\$ 33,168</b>	<b>\$ 2,472,184</b>