

LAST CHANCE FOR ANIMALS
(A CALIFORNIA NONPROFIT ORGANIZATION)

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT**

DECEMBER 31, 2019

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, 2019, 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, 2019, 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.

Cohen Pagano Accountancy

Los Angeles, California
November 13, 2020

LAST CHANCE FOR ANIMALS

STATEMENT OF FINANCIAL POSITION

December 31, 2019

ASSETS

Current Assets

Cash	\$	472,610
Contributions receivable (Note 1)		111,992
Prepaid expenses		82,899

Total current assets 667,501

Investments - at market (Note 2 & 12) 3,738,433

Property, equipment and intangible assets, net (Note 3 & 4) 68,013

Other assets 20,700

TOTAL ASSETS \$ 4,494,647

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts Payable	\$	87,619
Line of credit (Note 5)		-
Commitments (Note 6)		-

Total current liabilities 87,619

Net Assets

Unrestricted		3,947,607
Market adjustment - available-for-sale securities		459,421

Total net assets 4,407,028

TOTAL LIABILITIES AND NET ASSETS \$ 4,494,647

LAST CHANCE FOR ANIMALS

STATEMENT OF ACTIVITIES

Year Ended December 31, 2019

Support and revenue	
Donations and contributions	\$ 1,489,285
Grants	525,000
Bequests	2,094,077
Royalties	2,001
Gain on sales of securities	25
Books and merchandise	296
	<hr/>
Total support and revenue	4,110,684
Expenses	
Program services	2,473,675
Fundraising	312,406
Management and general	53,386
	<hr/>
Total expenses	2,839,467
	<hr/>
Change in net assets from operations	1,271,217
Non-operating activities	
Interest and dividend income	65,603
Market adjustment - available-for-sale securities (Note 2)	459,421
	<hr/>
Total non-operating activities	525,024
	<hr/>
Change in net assets from activities	1,796,241
	<hr/>
Net assets - beginning of year	2,610,787
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Net assets - end of year	\$ 4,407,028
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LAST CHANCE FOR ANIMALS

STATEMENT OF CASH FLOWS

Year Ended December 31, 2019

Cash flows from operating activities	
Change in net assets from operations	\$ 1,271,217
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Amortization	-
Depreciation	25,883
Changes in operating assets and liabilities:	
Contributions receivable	51,463
Refunds receivable	-
Prepaid expenses	(4,138)
Other assets	(18,100)
Market adjustments	459,421
Interest and dividend income	65,603
Accounts payable	23,001
	<hr/>
Net cash provided from (used in) operating activities	1,874,350
Cash flows provided from (used in) investing activities	
Purchases of equipment	(20,850)
Purchases of intangibles	-
Endowment - Investment Account	(1,795,932)
	<hr/>
Net cash provided from (used in) investing activities	(1,816,782)
Cash flows provided from (used in) financing activities	
Line of credit (Note 5)	-
	<hr/>
Net increase in cash	57,568
Cash, beginning of the year	415,042
	<hr/>
Cash, end of the year	\$ 472,610

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.

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, 2019 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 at December 31, 2019 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.

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. At December 31, 2019, cash in excess of FDIC insured limits totaled \$222,610 and investments in excess of SIPC insured limits totaled \$3,238,433.

LAST CHANCE FOR ANIMALS

NOTES TO FINANCIAL STATEMENTS

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, 2019 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 not 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

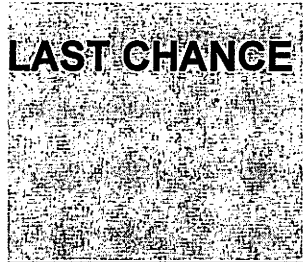
A substantial number of volunteers have donated time to the Organization's program services and fundraising campaigns during the year. Donated services that do not require specialized skills are not reflected in the financial statements.

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 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, 2019. 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.

3. Property and equipment

Major categories of property and equipment on December 31, 2019 are as follows:

Computer equipment	\$ 134,851
Investigative equipment	98,352
Computer software	4,550
Office furniture and other equipment	36,276
Vehicle - Animal News Van	<u>59,425</u>
	333,454
Less: accumulated depreciation	<u>(265,441)</u>
	<u>\$ 68,013</u>

Depreciation for the year ended December 31, 2019 was \$25,883.

4. Intangibles

Major categories of intangibles on December 31, 2019 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, 2019 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 variable rate which was 10.25% as of December 31, 2019, with interest payable monthly. The Organization had no amounts outstanding on the line of credit as of December 31, 2019.



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 \$6,491 began September 1, 2018 and increased on September 1, 2019 to \$6,747. 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, 2019 was \$78,922. Future minimum payments are as follows:

Years ending December 31,	
2020	82,032
2021	85,265
2022	88,628
2023	92,125
2024	95,762
	<u>\$ 443,812</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 \$447,150 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	329,160
Fundraising	117,990
	<u>\$ 447,150</u>

8. Allocation of program services expenses

For the year ended December 31, 2019, the Organization participated in the following programs:

Program Services	
Investigations	\$ 984,024
Education and public outreach	1,489,651
	<u>\$ 2,473,675</u>

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9. Related party transaction

During the year ended December 31, 2019, 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 2019 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 2016.

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 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 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).

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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, 2019, aggregated by the level in the fair value hierarchy, are included in cash and investments in the statement of financial position as follows:

2019 Assets	Level 1	Level 2	Level 3	Total	Technique (a,b,c)
Marketable securities	\$ 3,738,433	\$ -	\$ -	\$ 3,738,433	a
Cash Equivalents	\$ 472,610	-	-	\$ 472,610	a
Total Assets	\$ 4,211,043			\$ 4,211,043	

As a result of further analysis of the characteristics of certain financial instruments during the preparation of its 2019 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 2019 were \$56,000. There are no unfunded benefits in connection with this plan for the year ended December 31, 2019.

14. Subsequent Events

Management evaluated events and transactions that occurred after the statement of financial position date through November 13, 2020 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, 2019.

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SUPPLEMENTAL INFORMATION SCHEDULE OF FUNCTIONAL EXPENSES

Year Ended December 31, 2019

	EDUCATION & PUBLIC OUTREACH	INVESTIGATIONS	FUNDRAISING	GEN & ADMIN	TOTAL
Investigation Dept Payroll Exp	0	467,847	0	0	467,847
Direct Mail	329,160	0	117,990	0	447,150
Payroll Expense	313,461	0	54,033	4,968	372,461
Campaigns Expense	230,543	23,447	0	0	253,990
Professional Fees	98,400	100,796	11,040	3,113	213,349
Educational Event Expense	138,840	0	34,710	0	173,550
Insurance Expense	77,494	45,734	2,861	2,225	128,314
Investigations Fees & Expenses	0	120,134	0	0	120,134
Contributions	4,010	100,000	0	0	104,010
Rent	43,586	34,869	5,230	3,487	87,172
Public Relations	49,175	27,227	0	0	76,402
Employee Benefits	28,000	22,400	4,480	1,120	56,000
Computer Expense	39,944	8,222	2,934	1,211	52,312
Donation Processing Fees	0	0	43,726	0	43,726
Meals & Entertainment Exp	24,921	6,660	0	0	31,582
Investment Advisory Fees	0	0	0	29,117	29,117
Office Expense	14,169	1,843	275	5,773	22,060
Animal News Van Expenses	20,126	0	0	0	20,126
Protest & Petition Exp	18,893	0	0	0	18,893
Travel	18,539	0	0	0	18,539
Advertising	5,461	0	11,380	0	16,841
Charitable Registration Fees	0	0	16,209	0	16,209
Telephone Expense	7,184	2,177	327	218	9,905
Delivery & Postage	3,371	3,927	1,276	128	8,702
Bank & Interest Charges	2,987	2,389	558	926	6,860
Film & Video	4,636	0	0	0	4,636
Licenses, Fees & Permits	0	0	4,106	450	4,556
Automobile Expense	3,863	0	0	0	3,863
Press Releases	2,900	0	0	0	2,900
Animal Welfare Rescue Expenses	1,300	0	0	0	1,300
Printing and Reproduction	387	0	0	0	387
Gift Expense	0	0	294	0	294
Bad Debt Expense	0	241	0	0	241
Depreciation Expense	8,143	16,112	977	651	25,883
In Your Face Book Expenses	158	0	0	0	158
Totals	1,489,650	984,025	312,406	53,386	2,839,467