

LAST CHANCE FOR ANIMALS
(A CALIFORNIA NONPROFIT ORGANIZATION)

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

DECEMBER 31, 2012

LAST CHANCE FOR ANIMALS

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COHEN PAGANO
ACCOUNTANCY, INC.

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 non-profit organization), which comprise the statement of financial position as of December 31, 2012, 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, 2012, 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.

Other Matter

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 10 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 11, 2012

LAST CHANCE FOR ANIMALS

STATEMENT OF FINANCIAL POSITION

December 31, 2012

ASSETS

Current Assets

Cash	\$	133,171
Contributions receivable		246,910
Investments - at market		150,003
Prepaid expenses		<u>16,633</u>

Total current assets 546,717

Property and equipment, net (Note 2) 24,765

Intangibles, net (Note 3) 6,500

Other assets (Note 10) 6,350

TOTAL ASSETS \$ 584,332

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts payable	\$	<u>68,359</u>
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Total current liabilities 68,359

Net Assets

Unrestricted		415,973
Permanently restricted (Note 1)		<u>100,000</u>

Total net assets 515,973

TOTAL LIABILITIES AND NET ASSETS \$ 584,332

LAST CHANCE FOR ANIMALS

STATEMENT OF ACTIVITIES

Year Ended December 31, 2012

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Support and revenue			
Donations and contributions	\$ 1,193,231	\$ 100,000	\$ 1,293,231
Bequests	441,635	-	441,635
Contributed services and goods	-	-	-
Royalties	2,045	-	2,045
Other income	9,573	-	9,573
Interest income	309	-	309
Total support and revenue	<u>1,646,793</u>	<u>100,000</u>	<u>1,746,793</u>
Expenses			
Program services	1,269,054	-	1,269,529
Fundraising	173,650	-	173,365
Management and general	67,127	-	66,937
Total expenses	<u>1,509,831</u>	<u>-</u>	<u>1,509,831</u>
Change in net assets	136,962	100,000	236,962
Net assets - beginning of year	<u>279,011</u>	<u>-</u>	<u>279,011</u>
Net assets - end of year	<u>\$ 415,973</u>	<u>\$ 100,000</u>	<u>\$ 515,973</u>

LAST CHANCE FOR ANIMALS

STATEMENT OF CASH FLOWS

Year Ended December 31, 2012

Cash flows from operating activities	
Change in net assets	\$ 236,962
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Amortization	2,000
Depreciation	2,745
Changes in operating assets and liabilities:	
Contributions receivable	(194,503)
Prepaid expenses	14,554
Other assets	-
Accounts payable	46,122
Net cash provided by operating activities	107,880
Cash flows from investing activities	
Purchase of equipment	(1,924)
Purchase of intangibles	-
Endowment - Investment Account	(150,003)
Net cash provided by investing activities	(151,927)
Cash flows from financing activities	
Line of credit	-
Net increase in cash	(44,047)
Cash, beginning of the year	177,218
Cash, end of the year	\$ 133,171
Interest expense	\$ -
Income taxes (Note 9)	\$ -

See accompanying notes to financial statements.

LAST CHANCE FOR ANIMALS

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

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, 2012 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 received \$100,000 of permanently restricted net assets during the current year. Following the terms of the endowment, the Organization invested the \$100,000 into an interest bearing cash or cash equivalent account as of December 31, 2012.

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 could be 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, 2012.

LAST CHANCE FOR ANIMALS

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

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.

LAST CHANCE FOR ANIMALS

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

2. Property and equipment

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

Computer equipment	\$	41,324
Investigative equipment		37,565
Office furniture and other equipment		18,965
Vehicle - Animal News Van		59,425
		<u>157,279</u>
Less: accumulated depreciation		<u>(132,514)</u>
	\$	<u>24,765</u>

Depreciation for the year ended December 31, 2012 was \$ 2,745.

3. Intangibles

Major categories of intangibles at December 31, 2012 are as follows:

Website Design	\$	10,000
		<u>10,000</u>
Less: accumulated amortization		<u>(3,500)</u>
	\$	<u>6,500</u>

Amortization for the year ended December 31, 2012 was \$ 2,000.

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, 2012, with interest payable monthly. The Organization had no amounts outstanding on the line of credit as of December 31, 2012.

5. Commitments

The Organization had a noncancellable operating lease for its office space that expired in June 2010. The Organization continues to occupy the office space 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, 2012 was \$47,880.

LAST CHANCE FOR ANIMALS

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

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 totaled \$536,638 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	\$	429,310
Fundraising		107,328
	\$	<u>536,638</u>

7. Allocation of program services expenses

For the year ended December 31, 2012, the Organization participated in the following programs:

Investigations	\$	275,349
Education and public outreach		993,705
	\$	<u>1,269,054</u>

8. Related party transactions

During the year ended December 31, 2012, 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 2012 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 2010.

10. Other assets

On December 6, 2010, the Organization received donated real estate with a fair market value of \$3,750. The land was recorded as other assets with a book value equal to the fair market value at the date received.

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

LAST CHANCE FOR ANIMALS

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

12. Subsequent Events

Management evaluated events and transactions that occurred after the statement of financial position date through November 11, 2013 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, 2012.

LAST CHANCE FOR ANIMALS

SUPPLEMENTAL INFORMATION SCHEDULE OF FUNCTIONAL EXPENSES

December 31, 2012

	Education & Public Outreach	Investigations	Fundraising	Management and General	Total
Payroll Expense	\$ 177,561	\$ 157,750	\$ 17,094	\$ 55,867	\$ 408,272
Direct Mailings	429,310	-	107,328	-	536,638
Rent and Parking	29,100	23,280	3,492	2,328	58,200
Campaigns & Events	54,302	-	2,320	-	56,622
Insurance	9,740	21,742	268	6,118	37,868
Professional Fees	72,300	6,000	13,224	600	92,124
Travel	24,880	9,950	958	-	35,788
Delivery & Postage	29,017	1,146	5,996	95	36,254
Investigators & Expenses	-	33,999	-	-	33,999
Advertising	25,431	-	960	-	26,391
Office Expense	30,465	3,727	856	508	35,556
Computer & Internet Expense	11,449	618	440	79	12,586
Donation Processing Fees	-	-	12,895	-	12,895
LCA Merchandise	1,011	-	-	-	1,011
Telephone	5,926	4,169	625	417	11,137
Meals & Entertainment Expense	7,005	7,574	841	560	15,980
Education & Outreach	18,359	-	-	-	18,359
Animal News Van Expenses	20,384	-	-	-	20,384
Bank & Interest Charges	2,782	2,317	331	293	5,723
Public Relations	10,349	-	-	-	10,349
Charitable Registration Fees	-	-	5,246	-	5,246
Automobile Expense	2,785	1,180	108	72	4,145
Protest Expense	10,434	-	-	-	10,434
Depreciation	1,373	1,097	165	110	2,745
Film & Video Expense	6,564	-	-	-	6,564
Printing & Reproduction	12,178	-	383	-	12,561
Amortization Expense	1,000	800	120	80	2,000
	<u>\$ 993,705</u>	<u>\$ 275,349</u>	<u>\$ 173,650</u>	<u>\$ 67,127</u>	<u>\$ 1,509,831</u>