

LAST CHANCE FOR ANIMALS
(A CALIFORNIA NONPROFIT ORGANIZATION)

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

DECEMBER 31, 2020

LAST CHANCE FOR ANIMALS

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COHEN PAGANO

ACCOUNTANCY, INC.

INDEPENDENT AUDITORS' 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, 2020, 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, 2020, 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, including omissions, 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 ABC Organization'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 ABC Organization'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.

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 13 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 Pagnano Accountancy

Los Angeles, California

November 15, 2021

LAST CHANCE FOR ANIMALS

STATEMENT OF FINANCIAL POSITION

December 31, 2020

ASSETS

Current Assets

Cash	\$	653,542
Contributions receivable (Note 1)		167,098
Prepaid expenses		<u>75,379</u>
Total current assets		896,019

Investments - at market (Note 3)

3,706,311

Property, equipment and intangible assets, net (Note 4 & 5)

50,439

Other assets

17,898

TOTAL ASSETS

\$ 4,670,667

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts payable	\$	89,075
Line of credit		-
Commitments		<u>-</u>
Total current liabilities		89,075

Net Assets

Unrestricted		4,768,785
Market adjustment - available-for-sale securities		<u>(276,268)</u>
Total net assets		4,581,592

TOTAL LIABILITIES AND NET ASSETS

\$ 4,670,667

LAST CHANCE FOR ANIMALS

STATEMENT OF ACTIVITIES

Year Ended December 31, 2020

Support and revenue	
Donations and contributions	\$ 1,009,449
Grants	575,000
Bequests	590,681
Royalties	4,694
Gain on sales of securities	110,509
Books and merchandise	206
Paycheck Protection Program	115,752
Interest and dividend income	159,805
	<hr/>
Total support and revenue	2,566,096
Expenses	
Program services	1,831,764
Fundraising	226,595
Management and general	56,905
	<hr/>
Total expenses	2,115,264
	<hr/>
Change in net assets from operations	450,832
Non-operating activities	
Market adjustment - available-for-sale securities (Note 3)	(276,268)
	<hr/>
Total non-operating activities	(276,268)
	<hr/>
Change in net assets from activities	174,564
Net assets - beginning of year	4,407,028
	<hr/>
Net assets - end of year	\$ 4,581,592
	<hr/>

See accompanying notes to financial statements.

LAST CHANCE FOR ANIMALS

STATEMENT OF CASH FLOWS

Year Ended December 31, 2020

Cash flows from operating activities	
Change in net assets	\$ 450,832
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Amortization	-
Depreciation	26,330
Changes in operating assets and liabilities:	
Contributions receivable	(55,106)
Refunds receivable	-
Prepaid expenses	7,519
Other assets	2,802
Market Adjustment	(276,268)
Accounts payable	1,456
	<hr/>
Net cash provided from (used in) operating activities	157,565
Cash flows provided from (used in) investing activities	
Purchases of equipment	(8,755)
Purchases of intangibles	-
Endowment - Investment Account	32,122
	<hr/>
Net cash provided from (used in) investing activities	23,367
Cash flows provided from (used in) financing activities	
Line of credit (Note 6)	-
	<hr/>
Net increase in cash	180,932
Cash, beginning of the year	<hr/> 472,610
Cash, end of the year	<hr/> \$ 653,542

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, 2020, 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 are 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, 2020, 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, 2020, cash in excess of FDIC insured limits totaled \$403,542 and investments in excess of SIPC insured limits totaled \$3,206,311.

Investments are held at a single investment brokerage company and are 79% of total assets on December 31, 2020.

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).

Contributions Receivable

The Organization records unconditional promises to give (contributions receivable) 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 Association 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 probable 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. Contribution's receivables are considered by management to be collectible in full and, accordingly, an allowance for doubtful accounts is not considered necessary. On December 31, 2020, 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 annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, 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 Association activities and it has not filed the Exempt Organization Business Income Tax Return (IRS Form 990-T). The tax years ended 2017, 2018, and 2019 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 incometax expense if such interest and penalties are incurred.

2. Adoption of accounting pronouncements

In August 2018, the FASB issued ASU No. 2018-13, *Fair Value Measurement (Topic 820)*, which modifies the disclosure requirements on fair value measurements in Topic 820. The new standard is effective for the Association January 1, 2020. The Organization adopted the requirements of the new standard as of January 1, 2020. The cumulative effect of applying the new standard did not have a material effect on the disclosures of fair value.

3. Investments

Investment income includes interest, dividends, realized and unrealized gains and losses and is reflected 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, 2020. 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

4. Property and equipment

Major categories of property and equipment on December 31, 2020, are as follows:

Computer equipment	\$	138,576
Investigative equipment		103,382
Computer software		4,550
Office furniture and other equipment		36,277
Vehicle - Animal News Van		59,425
		<u>342,210</u>
Less: accumulated depreciation		<u>(291,771)</u>
	\$	<u>50,439</u>

Depreciation for the year ended December 31, 2020, was \$26,630.

5. Intangibles

Major categories of intangibles on December 31, 2020, 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, 2020, was \$0.

6. 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, 2020, with interest payable monthly. The Organization had no amounts outstanding on the line of credit as of December 31, 2020.

7. New accounting pronouncements

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842), which requires recognition of rights and obligations from lease contracts longer than one year as assets and liabilities on the balance sheet. The new standard is effective for the Organization January 1, 2021. The Organization is evaluating the effect that ASU No. 2016-02 will have on its financial statements and related disclosures.

LAST CHANCE FOR ANIMALS

NOTES TO FINANCIAL STATEMENTS

7. New accounting pronouncements (continued)

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which modifies how expected credit losses on financial instruments are developed. In November 2018, the FASB issued ASU No. 2018-19, *Codification Improvements to Topic 326, Financial Instruments – Credit Losses (Topic 326)* which provides amendments to ASU No. 2016-13 and defers the effective date to years beginning after December 15, 2021. The new standards are effective for the Organization January 1, 2022. The Organization is evaluating the effect that ASU No. 2016-13 and ASU No 2018-19 will have on its financial statements and related disclosure.

8. 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 \$6,747 began September 1, 2019, and increased on September 1, 2020, to \$7,013. The space is for general office use that can be relocated at a low cost to the Organization. A COVID-19 total rent credit of \$4,600 was provided by the building owners for August, September, October & November 2020.

Rent expense for the year ended December 31, 2020, was \$81,932, which included \$77,432 for the operating lease and \$4,500 for monthly parking. Future minimum payments for the operating lease are as follows:

For the year ending December 31,

2021	<u>84,157</u>
	<u>\$ 84,157</u>

9. 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 \$324,907 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	259,925
Fundraising	<u>64,982</u>
	<u>\$ 324,907</u>

10. Allocation of program services expenses

For the year ended December 31, 2020, the Organization participated in the following programs:

Program Services	
Investigations	\$ 472,296
Education and public outreach	<u>1,359,468</u>
	<u>\$ 1,831,764</u>

LAST CHANCE FOR ANIMALS

NOTES TO FINANCIAL STATEMENTS

11. Related party transaction

During the year ended December 31, 2020, there were no related party transactions.

12. 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 2020 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 2015.

13. 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, destruction and whistleblowers are distributed to the employees and board of directors.

14. Fair Value of Financial Instruments

The Organization is required to report investments in equity securities (including other ownership interests, such as partnerships, unincorporated joint ventures, and limited liability companies) at fair value. The fair value of equity securities with readily determinable fair values is based on quoted market prices in active markets. Equity investments that do not have readily determinable fair values are re-measured at fair value either upon the occurrence of an observable price change or upon identification of impairment. The Organization utilizes a valuation framework that provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are as follows:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets; Inputs other than quoted prices that are observable for the asset or liability (i.e., interest rates, yield curves, etc.);
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

LAST CHANCE FOR ANIMALS

NOTES TO FINANCIAL STATEMENTS

14. Fair Value of Financial Instruments (continued)

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

For assets and liabilities measured at fair value on a recurring basis, the fair value hierarchy requires the use of observable market data when available. In instances where inputs used to measure fair value fall into various levels of the fair value hierarchy, the fair value measurement has been determined based upon the lowest level input that is significant to the fair value measurement in its entirety

2020						Technique
Assets	Level 1	Level 2	Level 3	Total		(a,b,c)
Marketable securities	\$ 3,706,311	\$ -	\$ -	\$ 3,706,311		a
Cash Equivalents	\$ 653,542	-	-	\$ 653,542		a
Total Assets	\$ 4,359,853			\$ 4,359,853		

As a result of further analysis of the characteristics of certain financial instruments during the preparation of its 2020 financial statement disclosures, the Organization has determined that all of its financial instruments are measured at Level 1 and valued using technique a.

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 2020 were \$51,250. There are no unfunded benefits in connection with this plan for the year ended December 31, 2020.

15. Subsequent Events

Management evaluated events and transactions that occurred after the statement of financial position date through November 15, 2021, 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, 2020.

LAST CHANCE FOR ANIMALS

SUPPLEMENTAL INFORMATION SCHEDULE OF FUNCTIONAL EXPENSES

Year Ended December 31, 2020

	EDUCATION & PUBLIC OUTREACH	INVESTIGATIONS	FUNDRAISING	GEN & ADMIN	TOTAL
Payroll Expense	271,187	236,566	53,976	4,938	566,667
Direct Mail	259,925	-	64,981	-	324,906
Campaigns	221,784	-	-	-	221,784
Professional Fees	82,805	86,847	8,314	7,368	185,334
EE Benefits	70,175	41,537	4,713	3,845	120,270
So Korea Dog Meat	91,596	7,086	-	-	98,682
Rent	40,966	32,773	4,916	3,277	81,932
Public Relations	71,250	-	-	-	71,250
Computer Expense	54,122	8,366	1,954	1,499	65,941
Donation Processing Fees	-	-	49,101	-	49,101
Insurance Expense	23,236	18,588	2,788	1,862	46,474
Lobbying Contributions	43,527	-	-	-	43,527
Investment Advisory Fees	-	-	-	27,715	27,715
Office Expense	19,698	1,456	1,862	3,967	26,983
Depreciation	10,855	14,013	877	585	26,330
Advertising	1,600	-	19,335	-	20,935
Meals & Entertainment Exp	14,457	2,529	-	-	16,986
Polling	16,950	-	-	-	16,950
Animal News Van Expenses	16,738	-	-	-	16,738
Investigation Expenses	-	13,392	-	-	13,392
Delivery & Postage	8,036	1,361	1,648	71	11,116
Charitable Registration Fees	780	-	10,178	-	10,958
Protest & Petition Exp	10,460	-	-	-	10,460
Telephone Expense	7,107	2,125	319	212	9,763
Bank & Interest Charges	2,752	3,287	608	487	7,134
In Your Face Book Expenses	5,122	-	-	-	5,122
Automobile Expense	2,816	2,293	-	-	5,109
Travel	3,152	-	-	-	3,152
Film & Video	2,587	-	-	-	2,587
Contributions/Support Other Grp	2,140	-	-	-	2,140
Dues and Subscriptions	-	-	1,025	1,079	2,104
Press Conferences & Releases	1,555	-	-	-	1,555
Staff Recruiting	1,325	-	-	-	1,325
Social media expenses	765	-	-	-	765
Gift Expense	-	77	-	-	77
Totals	1,359,468	472,296	226,595	56,905	2,115,264