

**LOUISIANA SOCIETY FOR THE PREVENTION**  
**OF CRUELTY TO ANIMALS**  
**FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEARS ENDED**  
**DECEMBER 31, 2017 AND 2016**



**ERICKSEN KRENTEL** LLP  
CERTIFIED PUBLIC ACCOUNTANTS • CONSULTANTS

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## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors of  
Louisiana Society for the Prevention of Cruelty to Animals

We have audited the accompanying consolidated financial statements of Louisiana Society for the Prevention of Cruelty to Animals (a nonprofit organization), which comprise the consolidated statements of financial position as of December 31, 2017 and 2016, and the related consolidated statements of activities, cash flows, and functional expenses for the years then ended, and the related notes to the consolidated financial statements.

### ***Management's Responsibility for the Consolidated Financial Statements***

Management is responsible for the preparation and fair presentation of these consolidated 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.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



ERICKSEN KRENTEL<sup>LLP</sup>

CERTIFIED PUBLIC ACCOUNTANTS • CONSULTANTS

To the Board of Directors of  
Louisiana Society for the Prevention of Cruelty to Animals

***Opinion***

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Louisiana Society for the Prevention of Cruelty to Animals as of December 31, 2017 and 2016, 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.

June 6, 2018  
New Orleans, Louisiana

Certified Public Accountants

**LOUISIANA SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2017 AND 2016**

**ASSETS**

	<u>2017</u>	<u>2016</u>
<b><u>CURRENT ASSETS:</u></b>		
Cash and cash equivalents	\$ 1,444,441	\$ 813,891
Accounts receivable	62,039	467,316
City contract receivable	-	307,740
Current unconditional promises to give, net	100,000	105,509
Medical supplies	185,558	217,129
Prepaid expenses	<u>216,045</u>	<u>175,127</u>
Total current assets	<u>2,008,083</u>	<u>2,086,712</u>
<b><u>INVESTMENTS:</u></b>		
Endowment fund	10,201,208	8,670,884
Other investments	<u>-</u>	<u>5,143</u>
Total investments	<u>10,201,208</u>	<u>8,676,027</u>
<b><u>PROPERTY AND EQUIPMENT:</u></b>		
Land	971,927	971,927
Buildings	23,307,712	23,262,258
Equipment	3,088,236	3,075,323
Furniture and fixtures	796,451	796,451
Construction in progress	<u>8,870</u>	<u>8,870</u>
Total property and equipment	28,173,196	28,114,829
Less: accumulated depreciation	<u>(5,796,126)</u>	<u>(4,909,810)</u>
Net property and equipment	<u>22,377,070</u>	<u>23,205,019</u>
<b><u>OTHER ASSETS:</u></b>		
Restricted cash and cash equivalents	190,885	-
Non-current unconditional promises to give, net	100,695	193,098
Deposits	<u>13,813</u>	<u>13,813</u>
Total other assets	<u>305,393</u>	<u>206,911</u>
Total assets	<u><u>\$ 34,891,754</u></u>	<u><u>\$ 34,174,669</u></u>

See accompanying NOTES TO FINANCIAL STATEMENTS

**LOUISIANA SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2017 AND 2016**

**LIABILITIES AND NET ASSETS**

	<u>2017</u>	<u>2016</u>
<b><u>CURRENT LIABILITIES:</u></b>		
Accounts payable	\$ 426,730	\$ 494,955
Accrued salaries and related expenses	130,721	139,615
Current portion of capital leases	<u>9,286</u>	<u>9,286</u>
Total current liabilities	<u>566,737</u>	<u>643,856</u>
 <b><u>LONG-TERM LIABILITIES:</u></b>		
Capital leases, less current portion	<u>11,992</u>	<u>21,779</u>
Total long-term liabilities	<u>11,992</u>	<u>21,779</u>
Total liabilities	<u>578,729</u>	<u>665,635</u>
 <b><u>NET ASSETS:</u></b>		
Unrestricted	23,663,568	24,517,553
Unrestricted - board designated	10,201,208	8,670,884
Temporarily restricted	<u>448,249</u>	<u>320,597</u>
Total net assets	<u>34,313,025</u>	<u>33,509,034</u>
Total liabilities and net assets	<u><u>\$ 34,891,754</u></u>	<u><u>\$ 34,174,669</u></u>

**LOUISIANA SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS**  
**CONSOLIDATED STATEMENTS OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b><u>REVENUES AND SUPPORT:</u></b>			
City contract	\$ 1,839,102	\$ -	\$ 1,839,102
Bequests	1,371,979	-	1,371,979
Donations and contributions	1,664,789	647,083	2,311,872
Service fees	1,836,719	-	1,836,719
Retail	843,521	-	843,521
Investment income	1,215,275	-	1,215,275
Gain on disposal of property	<u>1,000</u>	<u>-</u>	<u>1,000</u>
 Total public support and other revenues	 <u>8,772,385</u>	 <u>647,083</u>	 <u>9,419,468</u>
 Net assets released from restrictions	 <u>519,431</u>	 <u>(519,431)</u>	 <u>-</u>
 Total revenues and support	 <u>9,291,816</u>	 <u>127,652</u>	 <u>9,419,468</u>
 <b><u>EXPENSES:</u></b>			
Program services:			
Animal services	3,239,866	-	3,239,866
Clinic	2,908,316	-	2,908,316
Other programs	1,364,507	-	1,364,507
Supporting services:			
Fundraising	976,333	-	976,333
Management and general	<u>126,455</u>	<u>-</u>	<u>126,455</u>
 Total expenses	 <u>8,615,477</u>	 <u>-</u>	 <u>8,615,477</u>
 Increase in net assets	 676,339	 127,652	 803,991
 Net assets at beginning of year	 <u>33,188,437</u>	 <u>320,597</u>	 <u>33,509,034</u>
 Net assets at end of year	 <u>\$ 33,864,776</u>	 <u>\$ 448,249</u>	 <u>\$ 34,313,025</u>

See accompanying NOTES TO FINANCIAL STATEMENTS

**LOUISIANA SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS**  
**CONSOLIDATED STATEMENTS OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

	Unrestricted	Temporarily Restricted	Total
<b><u>REVENUES AND SUPPORT:</u></b>			
City contract	\$ 1,846,439	\$ -	\$ 1,846,439
Bequests	174,603	-	174,603
Donations and contributions	1,768,201	297,365	2,065,566
Service fees	1,724,552	-	1,724,552
Retail	666,417	-	666,417
Investment income	598,935	-	598,935
Gain on disposal of property	53,776	-	53,776
Miscellaneous income	431,690	-	431,690
	<u>7,264,613</u>	<u>297,365</u>	<u>7,561,978</u>
Total public support and other revenues			
	<u>601,142</u>	<u>(601,142)</u>	<u>-</u>
Net assets released from restrictions			
	<u>7,865,755</u>	<u>(303,777)</u>	<u>7,561,978</u>
Total revenues and support			
<b><u>EXPENSES:</u></b>			
Program services:			
Animal services	3,698,508	-	3,698,508
Clinic	2,645,851	-	2,645,851
Other programs	1,334,561	-	1,334,561
Supporting services:			
Fundraising	1,100,578	-	1,100,578
Management and general	122,193	-	122,193
	<u>8,901,691</u>	<u>-</u>	<u>8,901,691</u>
Total expenses			
(Decrease) in net assets	(1,035,936)	(303,777)	(1,339,713)
Net assets at beginning of year	<u>34,224,373</u>	<u>624,374</u>	<u>34,848,747</u>
Net assets at end of year	<u>\$ 33,188,437</u>	<u>\$ 320,597</u>	<u>\$ 33,509,034</u>

See accompanying NOTES TO FINANCIAL STATEMENTS



**LOUISIANA SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
<b><u>CASH FLOWS PROVIDED BY (USED FOR) OPERATING ACTIVITIES:</u></b>		
Change in net assets	\$ 803,991	\$ (1,339,713)
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities:		
Depreciation	894,028	1,016,111
Accretion of net discount on unconditional promises to give	(2,597)	(28,994)
Net realized and unrealized (gain) on investments	(929,201)	(387,884)
Net (gain) on disposition of property	(1,000)	(53,776)
(Increase) decrease in:		
Account receivable	405,277	(441,396)
City contract receivable	307,740	(153,870)
Federal grant receivable	-	187,226
Unconditional promises to give	100,509	468,321
Medical supplies	31,571	(29,002)
Prepaid expenses	(40,918)	60,790
Deposits	-	(5,100)
Increase (decrease) in:		
Accounts payable	(68,225)	(247,026)
Accrued salaries and related expenses	(8,894)	34,587
	<u>1,492,281</u>	<u>(919,726)</u>
Net cash provided by (used for) operating activities		
<b><u>CASH FLOWS PROVIDED BY (USED FOR) INVESTING ACTIVITIES:</u></b>		
Net change in restricted cash	(190,885)	-
Purchases of property and equipment	(97,957)	(192,126)
Proceeds from the sale of property and equipment	1,000	100,000
Insurance proceeds received from damage to property	31,878	-
Purchases of investments	(5,066,304)	(2,769,143)
Proceeds from the maturity and sale of investments	4,470,324	3,165,742
	<u>(851,944)</u>	<u>304,473</u>
Net cash provided by (used for) investing activities		
<b><u>CASH FLOWS PROVIDED BY (USED FOR) FINANCING ACTIVITIES:</u></b>		
Principal payments made on capital leases	(9,787)	(10,842)
	<u>(9,787)</u>	<u>(10,842)</u>
Net cash (used for) financing activities		
Net increase (decrease) in cash and cash equivalents	630,550	(626,095)
Cash and cash equivalents at beginning of year	813,891	1,439,986
	<u>\$ 1,444,441</u>	<u>\$ 813,891</u>
Cash and cash equivalents at end of year		
<b><u>Supplemental disclosure of cash flow information:</u></b>		
FEMA funds received included in operating activities	\$ -	\$ 49,907
Interest paid	\$ 290	\$ 963

**LOUISIANA SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS**  
**CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

	Program Services			Supporting Services		
	Animal Services	Clinic	Other Programs	Fundraising	Management and General	Total
Salaries	\$ 1,540,424	\$ 1,174,482	\$ 671,019	\$ 233,428	\$ 35,185	\$ 3,654,538
Depreciation	403,332	288,994	146,936	50,308	4,458	894,028
Feed/medical supplies	103,823	348,955	7,100	556	-	460,434
Retail	-	497,508	27,438	10,898	-	535,844
General insurance	202,001	127,776	51,443	25,732	3,418	410,370
Hospitalization	138,432	95,462	63,522	19,346	2,445	319,207
Vet care	142,428	87,025	9,397	792	81	239,723
Payroll taxes	113,738	86,019	48,419	17,654	2,536	268,366
Printing and stationery	2,740	1,317	11,842	170,329	23	186,251
Rental expenses	7,990	3,707	82,318	112,178	256	206,449
Utilities	144,728	30,655	18,347	5,433	530	199,693
Office and cleaning supplies	55,908	20,230	11,814	3,179	370	91,501
Miscellaneous	11,852	7,221	10,324	2,167	299	31,863
Contract labor	26,593	12,466	38,393	41,828	612	119,892
Investment management fee	-	-	-	-	68,993	68,993
Professional services	80,543	43,469	17,498	22,474	952	164,936
Maintenance/repairs - equipment	35,414	20,131	9,527	2,834	881	68,787
Postage	5,045	1,876	2,383	46,547	50	55,901
Animal care supplies	30,581	1,207	5,147	1	1	36,937
Telephone	12,817	3,875	8,171	1,684	219	26,766
Computer	13,778	9,876	9,191	38,280	642	71,767
Maintenance/repairs - building	38,944	13,254	8,468	4,842	4,841	70,349
Travel and training	13,169	3,954	6,109	1,609	407	25,248
Advertising	41	479	61,686	63,457	-	125,663
Maintenance/repairs - vehicles	38,088	1,437	2,325	368	19	42,237
Hurricane evacuation	42,303	-	-	-	-	42,303
Bad debt expense (recovery)	-	-	-	-	(2,597)	(2,597)
Retirement plan	16,590	14,970	5,467	1,675	704	39,406
Uniforms	4,095	642	2,372	509	36	7,654
Dues and subscriptions	4,044	4,219	2,128	1,961	309	12,661
Meals and meetings	5,465	4,669	20,980	83,306	754	115,174
Licenses and permits	4,580	2,067	4,653	1,158	15	12,473
Interest expense	90	137	38	11	14	290
Small tools	290	237	52	18	2	599
Special event expense	-	-	-	11,771	-	11,771
Total expenses	<u>\$ 3,239,866</u>	<u>\$ 2,908,316</u>	<u>\$ 1,364,507</u>	<u>\$ 976,333</u>	<u>\$ 126,455</u>	<u>\$ 8,615,477</u>

**LOUISIANA SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS**  
**CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

	Program Services			Supporting Services		Total
	Animal Services	Clinic	Other Programs	Fundraising	Management and General	
Salaries	\$ 1,739,577	\$ 1,108,480	\$ 603,301	\$ 283,758	\$ 36,284	\$ 3,771,400
Depreciation	465,352	303,917	177,745	62,786	6,311	1,016,111
Feed/medical supplies	111,103	362,607	10,703	-	-	484,413
Retail	37,284	321,448	-	11,974	-	370,706
General insurance	232,367	135,646	54,942	24,777	4,175	451,907
Hospitalization	204,767	60,970	56,942	22,703	2,174	347,556
Vet care	114,222	87,025	14,269	-	-	215,516
Payroll taxes	127,289	81,522	44,582	20,882	2,670	276,945
Printing and stationery	6,912	1,595	17,911	179,295	27	205,740
Rental expenses	7,757	2,294	41,688	175,606	10	227,355
Utilities	123,882	27,993	20,090	6,093	631	178,689
Office and cleaning supplies	70,356	20,695	11,926	3,339	413	106,729
Miscellaneous	32,205	12,682	28,706	71,751	3,122	148,466
Contract labor	33,923	7,896	59,699	50,734	224	152,476
Investment management fee	-	-	-	-	70,359	70,359
Professional services	106,232	45,138	19,474	28,250	20,124	219,218
Maintenance/repairs - equipment	47,796	17,502	10,936	3,172	508	79,914
Postage	6,813	1,990	2,276	54,704	50	65,833
Animal care supplies	35,014	1,170	3,575	58	69	39,886
Telephone	13,987	3,473	8,091	1,223	285	27,059
Computer	38,037	13,029	18,741	27,491	382	97,680
Maintenance/repairs - building	36,781	5,752	4,023	1,293	154	48,003
Travel and training	16,376	3,908	22,386	3,512	636	46,818
Advertising	100	-	76,377	35,744	1,022	113,243
Maintenance/repairs - vehicles	25,518	384	3,670	129	209	29,910
Hurricane evacuation	22,324	-	-	-	-	22,324
Bad debt expense (recovery)	-	-	-	-	(28,994)	(28,994)
Retirement plan	24,927	12,177	7,928	3,535	731	49,298
Uniforms	3,677	-	2,213	147	37	6,074
Dues and subscriptions	4,758	4,095	1,711	6,103	364	17,031
Meals and meetings	1,481	968	1,280	508	125	4,362
Licenses and permits	5,741	852	9,062	528	8	16,191
Interest expense	533	251	129	46	4	963
Small tools	1,417	392	185	65	79	2,138
Special event expense	-	-	-	20,372	-	20,372
Total expenses	<u>\$ 3,698,508</u>	<u>\$ 2,645,851</u>	<u>\$ 1,334,561</u>	<u>\$ 1,100,578</u>	<u>\$ 122,193</u>	<u>\$ 8,901,691</u>

See accompanying NOTES TO FINANCIAL STATEMENTS

**LOUISIANA SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017 AND 2016**

**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND NATURE OF OPERATIONS**

**Organization**

Louisiana Society for the Prevention of Cruelty to Animals (the "LASPCA") is chartered in the State of Louisiana as a not-for-profit organization. LASPCA is classified as "not a private foundation" within the meaning of Section 509(a) of the Internal Revenue Code. It is an organization, as described in Section 170(b)(1)(A)(vi) of the Internal Revenue Code, that normally receives a substantial part of its support from direct or indirect contributions from the general public. LASPCA operates an animal shelter, veterinary clinic, rabies program, provides humane education and public relation services to the local community, and provides animal control services for the City of New Orleans.

**Principles of Consolidation**

The consolidated financial statements include the accounts of LASPCA and its subsidiary LA/SPCA Holdings, LLC and Louisiana SPCA Foundation, Inc. (Foundation). All significant intercompany transactions have been eliminated in consolidation.

The Foundation is included due to (1) a shared management between the LASPCA and the Foundation, (2) the LASPCA appoints the voting majority of the Foundation's board of directors, and (3) the Foundation operates exclusively for the benefit of the LASPCA.

**Basis of Presentation**

The financial statement presentation follows the requirements of the Financial Accounting Standards Board's Accounting Standards Codification (ASC) 958, *Financial Statements of Not-For-Profit Organizations*. Under ASC 958, LASPCA is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. There were no permanently restricted net assets at December 31, 2017 and 2016.

**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 of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of support and revenues and expenses during the period. Actual results could differ from those estimates.

**LOUISIANA SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2017 AND 2016**

**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND NATURE OF OPERATIONS (CONTINUED)**

**Cash and Cash Equivalents**

For purposes of the statement of cash flows, LASPCA considers all highly liquid debt instruments purchased with an initial maturity of three months or less to be cash equivalents. Cash equivalents do not include cash and money funds that are included within investments.

**Restricted Cash**

During 2017, the Organization began maintaining a restricted cash account to account for contributions whose use was restricted by donors. Restricted cash and cash equivalents totaled \$190,885 at December 31, 2017.

**Promises to Give**

Unconditional promises to give are recognized as revenues in the period the pledge is received. The pledges are recorded at the net present value of estimated future cash flows using an appropriate discount rate. Additionally, LASPCA evaluates the collectability of pledges receivable and provides for an allowance when appropriate. Conditional promises to give are recognized as revenues only when the conditions attached to the pledge are substantially met.

**Inventory**

Inventory is valued at FIFO and consists of medical and retail supplies which are recorded as expenditures when consumed.

**Investments**

Investments are stated at fair value. There are no donor-restricted investments at December 31, 2017 and 2016. Gains and losses on investments are reported on the statement of activities as increases or decreases in unrestricted net assets. Dividend, interest, and other investment income are reported in the period earned in the statement of activities as increases in unrestricted net assets.

**LOUISIANA SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2017 AND 2016**

**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND NATURE OF OPERATIONS (CONTINUED)**

**Endowment Fund**

In 2008, the Financial Accounting Standards Board issued FASB Staff Position No. FAS 117-1 (now ASC 958), *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds*. ASC 958 provides guidance on the net asset classification of donor-restricted endowment funds for a nonprofit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). It also requires additional disclosures about an organization's endowment funds (both donor-restricted endowment funds and board-designated endowment funds) whether or not the organization is subject to UPMIFA (see note 3). In 2010, the State of Louisiana adopted UPMIFA. LASPCA did not have any donor-restricted endowment funds during 2017 or 2016.

**Property and Equipment**

Buildings are being depreciated over their estimated useful lives of 40 years using the straight-line method of depreciation. Equipment and furniture are depreciated over their estimated useful lives which range from 2 to 7 years using the straight-line method of depreciation. Depreciable assets are valued at cost if purchased or fair value if contributed. It is LASPCA's policy to capitalize assets costing \$1,000 or more. Depreciation expense for the year ended December 31, 2017 and 2016 was \$894,028 and \$1,016,111, respectively.

**Compensation for Future Absences**

LASPCA has accrued compensation for future absences. LASPCA's vacation policy is that when proper notice of resignation or termination is given the employee will be paid for accumulated vacation. Sick leave may be carried over to the next year, but LASPCA does not compensate for accumulated sick leave time upon termination of employment. Accrued compensated absences as of December 31, 2017 and 2016 was \$77,505 and \$93,523, respectively.

**Revenue Recognition**

Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**LOUISIANA SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2017 AND 2016**

**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND NATURE OF OPERATIONS (CONTINUED)**

**Revenue Recognition (continued)**

Support from both unrestricted and restricted contributions is recognized either on receipt or upon receiving an unconditional pledge or promise to give from a donor. Support from unrestricted contributions is reported as unrestricted support which increases unrestricted net assets. LASPCA reports contributions of cash and other assets as temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restriction. Donor restricted contributions whose restrictions are met in the same reporting period that they are received are reported as unrestricted support.

LASPCA reports contributions of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the assets must be used. Contributions of long-lived assets with explicit restrictions that specify how the assets are to be used and contributions of cash or other assets that must be used to acquire or improve long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, LASPCA reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

**Donated Services**

Donated services are recognized as contributions in accordance with ASC 958 if the services: (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by LASPCA. The members of the Board of Directors serve without compensation. Volunteers also provide animal care and fundraising services throughout the year. These services are not recognized as contributions in the financial statements since recognition criteria under ASC 958 were not met.

**Income Taxes**

LASPCA and Foundation are exempt from federal income taxes pursuant to Section 501(c)(3) of the Internal Revenue Code. There was no income tax on unrelated business income accrued in 2017 or 2016. Management believes that all tax positions would be sustained if audited. There were no penalties or interest on income tax positions incurred in 2017 or 2016, but, if incurred, they would be classified in the statement of activities as a management and general expense.

**LOUISIANA SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS**  
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**DECEMBER 31, 2017 AND 2016**

**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND NATURE OF OPERATIONS (CONTINUED)**

**Income Taxes (continued)**

LASPCA's tax filings for the years ended December 31, 2014 through the current year are open to audit under statute of limitations by the Internal Revenue Service.

**Allocation of Expenses**

Indirect overhead and administrative expenses are allocated to programs and supporting services by management based on the number of employees in the corresponding departments.

**Advertising Costs**

Advertising costs are expensed in the period incurred. No costs are capitalized. Advertising costs charged to expense during the years ended December 31, 2017 and 2016 totaled \$125,663 and \$113,243, respectively

**Subsequent Events**

Subsequent events have been valued through June 6, 2018, which is the date the financial statements were available to be issued.

**(2) PROMISES TO GIVE**

Unconditional promises to give consist of the following at December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Amounts due is less than one year	\$ 100,000	\$ 105,509
Amounts due in one to five years	<u>105,000</u>	<u>200,000</u>
Total unconditional promises to give	205,000	305,509
Less: discount to net present value	<u>(4,305)</u>	<u>(6,902)</u>
Net unconditional promises to give	<u>\$ 200,695</u>	<u>\$ 298,607</u>

Included in the accompanying consolidated statement of financial position under the following captions:

	<u>2017</u>	<u>2016</u>
Current unconditional promises to give, net	\$ 100,000	\$ 105,509
Non-current unconditional promises to give, net	<u>100,695</u>	<u>193,098</u>
Total unconditional promises to give	<u>\$ 200,695</u>	<u>\$ 298,607</u>



**LOUISIANA SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS**  
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**(2) PROMISES TO GIVE (CONTINUED)**

The discount rate used on long-term promises to give was 1.68% and 1.47% at December 31, 2017 and 2016, respectively. LASPCA has received an unconditional, unrestricted, multiple year pledge in perpetuity of only the income from a \$200,000 bequest from an estate to The Greater New Orleans Foundation. The fair value of this income cannot be reasonably estimated as it is under the control of The Greater New Orleans Foundation, which is an unrelated non-profit organization. As such, this pledge is not included in the above total.

**(3) INVESTMENTS**

Investments consist of the following amounts by major types as of December 31, 2017:

	<u>Endowment</u>	<u>Other Investments</u>	<u>Total</u>
Cash and money fund accounts	\$ 192,564	\$ -	\$ 192,564
Equities	4,768,982	-	4,768,982
Mutual funds	5,164,040	-	5,164,040
REITs	<u>75,622</u>	<u>-</u>	<u>75,622</u>
Total investments	<u>\$ 10,201,208</u>	<u>\$ -</u>	<u>\$ 10,201,208</u>

Investments consist of the following amounts by major types as of December 31, 2016:

	<u>Endowment</u>	<u>Other Investments</u>	<u>Total</u>
Cash and money fund accounts	\$ 427,184	\$ 5,143	\$ 432,327
Equities	2,462,430	-	2,462,430
Mutual funds	5,237,644	-	5,237,644
REITs	<u>543,626</u>	<u>-</u>	<u>543,626</u>
Total investments	<u>\$ 8,670,884</u>	<u>\$ 5,143</u>	<u>\$ 8,676,027</u>

Investment income consists of the following:

	<u>2017</u>	<u>2016</u>
Interest and dividend income	\$ 286,074	\$ 211,051
Net realized and unrealized gains	<u>929,201</u>	<u>387,884</u>
Total investment income	<u>\$ 1,215,275</u>	<u>\$ 598,935</u>

**LOUISIANA SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2017 AND 2016**

**(4) ENDOWMENT FUND**

In 1987, the Board of Directors approved the establishment of discretionary trusts for the preservation and management of such specific funds received by LASPCA. These funds are currently being administered by investment management through Crescent Capital Consulting, LLC and Charles Schwab Institutional. A resolution of the Board of Directors limits the use of endowment funds, but allows funds to be used for operating purposes, with approval of the Board of Directors. These assets are unrestricted. The resolutions of the Board of Directors are voluntary, self-imposed limits; therefore, the income is recorded in LASPCA's other operating revenue. These assets are presented on the consolidated statement of financial position as unrestricted Board designated net assets.

Endowment Investment Spending Policies - LASPCA's investment spending policy is that all income earned on the Board designated endowment fund is to be reinvested or used for operating purposes, with the approval of the Board of Directors.

Endowment Investment Policies - LASPCA's investment policy is that all endowed funds will be maintained and managed by management within their investment pool and in accordance with their investment policies that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of these endowment assets over the long-term.

Changes in unrestricted net assets that are board designated as an endowment for the years ended December 31, 2017 and 2016 consists of the following:

	<u>2017</u>	<u>2016</u>
Unrestricted net assets, board designated endowment, beginning of year	\$ 8,670,884	\$ 8,679,598
Contributions/(withdrawals), net	315,049	(607,649)
Dividends and interest	286,074	211,051
Realized gain (loss)	244,536	(175,051)
Net unrealized gain (loss)	<u>684,665</u>	<u>562,935</u>
Unrestricted net assets, board designated endowment, end of year	<u>\$ 10,201,208</u>	<u>\$ 8,670,884</u>

**(5) BANK LINE OF CREDIT**

LASPCA has a \$500,000 working capital line of credit available from Whitney National Bank. The line of credit is secured by deposit accounts. Terms of repayment call for monthly payments of interest at the prime lending rate, which is currently 4.25%. There was no outstanding principal balance under this line for the years ended December 31, 2017 and 2016.

**LOUISIANA SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
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**(6) TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets at December 31, 2017 and 2016 were available for the following purposes:

	<u>2017</u>	<u>2016</u>
Equipment	\$ 9,969	\$ 9,969
Other - various	<u>438,280</u>	<u>310,628</u>
Total temporarily restricted net assets	<u>\$ 448,249</u>	<u>\$ 320,597</u>

Included in "other" are individual temporarily restricted items ranging from approximately \$100 to \$125,000 at December 31, 2017 and \$250 to \$76,000 at December 31, 2016.

**(7) RELEASE OF TEMPORARILY RESTRICTED NET ASSETS**

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes. Purpose restrictions accomplished were \$519,431 and \$601,142 in 2017 and 2016, respectively.

**(8) RETIREMENT PLAN**

LASPCA has a 401(k) type profit sharing plan for all eligible employees. Employees are eligible to participate in the plan if they have been employed by LASPCA for one year. LASPCA will make matching contributions in an amount equal to 50% of such contributing participant's elective deferral which does not exceed 6% of the participant's compensation. Employer contributions for 2017 and 2016 were \$39,406 and \$49,298, respectively.

**(9) RELATED PARTY TRANSACTIONS**

In 2016, LASPCA maintained cash accounts with a financial institution which employed a board member. LASPCA's investment manager at Crescent Capital Consulting is the brother of a board member.

**(10) CONCENTRATIONS**

LASPCA received 20% and 23% of its unrestricted revenue from its animal control contract with the City of New Orleans for the years ended December 31, 2017 and 2016, respectively. The effects of a significant reduction in the level of this revenue on LASPCA's programs and activities, if this were to occur, has not been determined.

**LOUISIANA SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
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**(10) CONCENTRATIONS (CONTINUED)**

LASPCA maintained cash accounts at local banks during 2017 and 2016. The Federal Deposit Insurance Corporation provides insurance coverage under defined limits. Cash balances at financial institutions at December 31, 2017 and 2016 in excess of insured amounts were \$1,152,496 and \$512,182, respectively.

**(11) FAIR VALUE MEASUREMENTS**

LASPCA discloses the fair value of its investments in a hierarchy that prioritizes the inputs to valuation techniques used to measure the fair value. Investments are recorded at fair value on a recurring basis. Nonrecurring fair value adjustments, if any, would typically involve donated property, plant, and equipment. There were no material nonrecurring fair value adjustments in 2017 and 2016. The three levels of the fair value hierarchy are described below:

Level 1 – Quoted market prices in active markets for identical assets at the measurement date.

Level 2 – Observable inputs (market data obtained from independent sources) other than quoted prices for the asset, either directly or indirectly observable, that reflect assumptions market participants would use to price the asset based on market data obtained from sources independent of LASPCA.

Level 3 – Unobservable inputs that reflect LASPCA's own assumptions about the assumptions market participants would use to price an asset based on the best information available in the circumstances.

For assets that are measured at fair value on a recurring basis in periods after initial recognition, there were no transfers between Levels 1 and 2, or transfers into and out of Level 3 in 2017 or 2016. If such transfers were to occur, they would be recognized as of the actual date of the event.

LASPCA's measurements of fair value are made on a recurring basis, and their valuation techniques (no changes in 2017 or 2016) for assets and liabilities recorded at fair value are as follows:

Mutual Funds – Valued at the net asset value of shares on the last trading day of the fiscal year, which is the basis of transactions at that date.

**LOUISIANA SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
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**(11) FAIR VALUE MEASUREMENTS (CONTINUED)**

Equities – Valued at the quoted market price of shares on the last trading day of the year. This method may produce a fair value calculation that may not be indicative of the net realizable value or reflective of future fair values. Furthermore, although the LASPCA believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The valuations of LASPCA's assets that are measured at fair value on a recurring basis at December 31, 2017 were as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
<b>Endowment fund:</b>				
Cash and money fund accounts	\$ 192,564	\$ -	\$ -	\$ 192,564
Equities	4,768,982	-	-	4,768,982
Mutual funds	5,164,040	-	-	5,164,040
REITs	75,622	-	-	75,622
<b>Other investments:</b>				
Cash and money fund accounts	-	-	-	-
<b>Total investments</b>	<u>\$ 10,201,208</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,201,208</u>

The valuations of LASPCA's assets that are measured at fair value on a recurring basis at December 31, 2016 were as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
<b>Endowment fund:</b>				
Cash and money fund accounts	\$ 427,184	\$ -	\$ -	\$ 427,184
Equities	2,462,430	-	-	2,462,430
Mutual funds	5,237,644	-	-	5,237,644
REITs	543,626	-	-	543,626
<b>Other investments:</b>				
Cash and money fund accounts	\$ 5,143	\$ -	\$ -	\$ 5,143
<b>Total investments</b>	<u>\$ 8,676,027</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,676,027</u>

**LOUISIANA SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS**  
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**(12) NON-CURRENT PROPERTY HELD FOR SALE**

In 2016, LASPCA sold property on Japonica Street that had been vacant since 2005 and was no longer needed for operations. This property was sold in January 2016 for \$100,000.

**(13) COMMITMENTS**

**Capital Leases**

During the year ended December 31, 2015, LASPCA entered into a 60 month lease for five copiers and a 57 month lease for two copiers. The assets and liabilities under capital leases are recorded at the lesser of the present value of the minimum lease payments or the fair market value of property received. The assets are being amortized over their estimated productive life of five years.

Amortized expense of the leased property for the year ended December 31, 2017 and 2016 was \$11,305 and \$7,567, respectively, and is included in depreciation expense in the accompanying financial statements. The cost of the equipment under capital lease totaled \$46,006 and the related accumulated amortization at December 31, 2017 and 2016 totaled \$22,052 and \$10,747, respectively.

Future minimum lease payments required under the capital leases as of December 31, 2017 are as follows:

2018	\$	9,286
2019		9,286
2020		<u>2,706</u>
	\$	<u>21,278</u>

**Operating Lease**

During the year ended December 31, 2016, LASPCA entered into an operating lease for the operation of a thrift store. The lease called for monthly payments of \$6,642 through October 31, 2017. The lease was renewed on November 1, 2017 requiring monthly payments of \$6,324 with an expiration date on April 30, 2018. The lease was renewed again on May 1, 2018 requiring monthly payments of \$6,324 with an expiration date on April 30, 2020. Total rent expense for the years ended December 31, 2017 and 2016 totaled \$79,070 and \$37,944, respectively.

**LOUISIANA SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS**  
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**(13) COMMITMENTS (CONTINUED)**

**Operating Lease (continued)**

Future minimum rental payments required under the operating lease as of December 31, 2017 are as follows:

2018	\$ 75,888
2019	75,888
2020	<u>25,296</u>
	<u>\$ 177,072</u>

**(14) NEW ACCOUNTING PRONOUNCEMENTS**

The Financial Accounting Standards Board (FASB) has issued Accounting Standards Update (Update) No. 2016-14, “*Not-for-Profit Entities (NFPs)*.” This Update makes several improvements to current reporting requirements that address, among others, the following problems: (1) complexities about the use of the currently required three classes of net assets that focus on the absence or presence of donor-imposed restrictions and whether those restrictions are temporary or permanent; (2) deficiencies in the transparency and utility of information useful in assessing an entity's liquidity caused by potential misunderstandings and confusion about the term unrestricted net assets and how restrictions or limits imposed by donors, grantors, laws, contracts, and governing boards affect an entity's liquidity, classes of net assets, and financial performance; (3) inconsistencies in the type of information provided about expenses of the period—for example, some, but not all, NFPs provide information about expenses by both nature and function; and (4) impediment of preparing the indirect method reconciliation if an NFP chooses to use the direct method of presenting operating cash flows. The amendments in this Update are effective for annual financial statements issued for fiscal years beginning after December 15, 2017, and for interim periods within fiscal years beginning after December 15, 2018. LASPCA plans to adopt this Update as applicable by the effective date.

The Financial Accounting Standards Board (FASB) has issued Accounting Standards Update (Update) No. 2016-02, “*Leases*.” This Update seeks to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and by disclosing key information about leasing arrangements. The amendments in this Update are effective for fiscal years beginning after December 15, 2019, and for interim periods within fiscal years beginning after December 15, 2020. LASPCA plans to adopt this Update as applicable by the effective date.

**LOUISIANA SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
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**(14) NEW ACCOUNTING PRONOUNCEMENTS (CONTINUED)**

The Financial Accounting Standards Board (FASB) has issued Accounting Standards Update (Update) No. 2014-09, "*Revenue from Contracts with Customers*." The core principle of this Update is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To achieve this core principle, the guidance provides that an entity should apply the following steps: (1) identify the contract(s) with a customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to the performance obligations in the contract; and (5) recognize revenue when, or as, the entity satisfies a performance obligation. Deferring the effective date of the amendments in Update No. 2014-09, the FASB has issued Update No. 2015-14, "*Revenue from Contracts with Customers - Deferral of the Effective Date ASU No. 2015-14*." Update No. 2015-14 permits entities to apply the guidance in Update No. 2014-09 to annual reporting periods beginning after December 15, 2018, and to interim reporting periods within annual reporting periods beginning after December 15, 2019. LASPCA plans to adopt this Update as applicable by the effective date.

**(15) RECLASSIFICATIONS**

LASPCA made certain reclassifications to prior period amounts to conform to the current year presentation. These reclassifications did not have a material effect on the financial statements.