

LOUISIANA SOCIETY FOR THE PREVENTION
OF CRUELTY TO ANIMALS
FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED
DECEMBER 31, 2018 AND 2017



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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, 2018 and 2017, and the related consolidated statements of activities, functional expenses, and cash flows 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.



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, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 1 to the financial statements, Louisiana Society for the Prevention of Cruelty to Animals adopted the Financial Accounting Standards Board's ASU 2016-14, *Not-for-Profit Entities*, for the year ended December 31, 2018. Our opinion is not modified with respect to that matter.

June 17, 2019
New Orleans, Louisiana

Certified Public Accountants

LOUISIANA SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2018 AND 2017

ASSETS

	<u>2018</u>	<u>2017</u>
<u>CURRENT ASSETS:</u>		
Cash and cash equivalents	\$ 1,302,738	\$ 1,635,326
Accounts receivable	132,792	62,039
Current unconditional promises to give, net	100,000	100,000
Medical supplies	213,091	185,558
Prepaid expenses	<u>169,231</u>	<u>216,045</u>
 Total current assets	 <u>1,917,852</u>	 <u>2,198,968</u>
 <u>INVESTMENTS:</u>		
Endowment fund	<u>9,294,374</u>	<u>10,201,208</u>
 <u>PROPERTY AND EQUIPMENT:</u>		
Land	971,927	971,927
Buildings	23,307,712	23,307,712
Equipment	3,245,177	3,088,236
Furniture and fixtures	793,084	796,451
Construction in progress	<u>8,870</u>	<u>8,870</u>
 Total property and equipment	 28,326,770	 28,173,196
Less: accumulated depreciation	<u>(6,667,701)</u>	<u>(5,796,126)</u>
 Net property and equipment	 <u>21,659,069</u>	 <u>22,377,070</u>
 <u>OTHER ASSETS:</u>		
Non-current unconditional promises to give, net	-	100,695
Deposits	<u>13,813</u>	<u>13,813</u>
 Total other assets	 <u>13,813</u>	 <u>114,508</u>
 Total assets	 <u><u>\$ 32,885,108</u></u>	 <u><u>\$ 34,891,754</u></u>

See accompanying NOTES TO FINANCIAL STATEMENTS

LOUISIANA SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2018 AND 2017

LIABILITIES AND NET ASSETS

	<u>2018</u>	<u>2017</u>
<u>CURRENT LIABILITIES:</u>		
Accounts payable	\$ 567,556	\$ 426,730
Accrued salaries and related expenses	139,104	130,721
Current portion of capital leases	<u>10,991</u>	<u>9,286</u>
Total current liabilities	<u>717,651</u>	<u>566,737</u>
 <u>LONG-TERM LIABILITIES:</u>		
Capital leases, less current portion	<u>-</u>	<u>11,992</u>
Total long-term liabilities	<u>-</u>	<u>11,992</u>
Total liabilities	<u>717,651</u>	<u>578,729</u>
 <u>NET ASSETS:</u>		
Net assets without donor restrictions - board designated	9,294,374	10,201,208
Net assets without donor restrictions - undesignated	<u>22,351,579</u>	<u>23,663,568</u>
Total net assets without donor restrictions	<u>31,645,953</u>	<u>33,864,776</u>
Net assets with donor restrictions	<u>521,504</u>	<u>448,249</u>
Total net assets	<u>32,167,457</u>	<u>34,313,025</u>
Total liabilities and net assets	<u><u>\$ 32,885,108</u></u>	<u><u>\$ 34,891,754</u></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, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
<u>REVENUES AND SUPPORT:</u>			
City contract	\$ 1,839,118	\$ -	\$ 1,839,118
Bequests	360,655	-	360,655
Donations and contributions	987,626	876,518	1,864,144
Special event revenues	315,650	-	315,650
Service fees	1,844,135	-	1,844,135
On-site retail sales	625,622	-	625,622
Thrift store retail sales	160,529	-	160,529
Investment (loss), net	(734,902)	-	(734,902)
Gain on disposal of property	500	-	500
	<hr/>	<hr/>	<hr/>
Total public support and other revenues	5,398,933	876,518	6,275,451
	<hr/>	<hr/>	<hr/>
Net assets released from restrictions	803,263	(803,263)	-
	<hr/>	<hr/>	<hr/>
Total revenues and support	6,202,196	73,255	6,275,451
	<hr/>	<hr/>	<hr/>
<u>EXPENSES:</u>			
Program services:			
Animal services	3,347,733	-	3,347,733
Clinic	2,867,495	-	2,867,495
Other programs	1,180,532	-	1,180,532
Supporting services:			
Fundraising	955,718	-	955,718
Management and general	69,541	-	69,541
	<hr/>	<hr/>	<hr/>
Total expenses	8,421,019	-	8,421,019
	<hr/>	<hr/>	<hr/>
Increase (decrease) in net assets	(2,218,823)	73,255	(2,145,568)
	<hr/>	<hr/>	<hr/>
Net assets at beginning of year	33,864,776	448,249	34,313,025
	<hr/>	<hr/>	<hr/>
Net assets at end of year	<u>\$ 31,645,953</u>	<u>\$ 521,504</u>	<u>\$ 32,167,457</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, 2017

	Without Donor Restrictions	With Donor Restrictions	Total
<u>REVENUES AND SUPPORT:</u>			
City contract	\$ 1,839,102	\$ -	\$ 1,839,102
Bequests	1,371,979	-	1,371,979
Donations and contributions	1,241,629	647,083	1,888,712
Special event revenues	423,160	-	423,160
Service fees	1,836,719	-	1,836,719
On-site retail sales	646,780	-	646,780
Thrift store retail sales	196,741	-	196,741
Investment income, net	1,146,282	-	1,146,282
Gain on disposal of property	1,000	-	1,000
	<hr/>	<hr/>	<hr/>
Total public support and other revenues	8,703,392	647,083	9,350,475
	<hr/>	<hr/>	<hr/>
Net assets released from restrictions	519,431	(519,431)	-
	<hr/>	<hr/>	<hr/>
Total revenues and support	9,222,823	127,652	9,350,475
	<hr/>	<hr/>	<hr/>
<u>EXPENSES:</u>			
Program services:			
Animal services	3,381,394	-	3,381,394
Clinic	2,908,048	-	2,908,048
Other programs	1,224,478	-	1,224,478
Supporting services:			
Fundraising	979,966	-	979,966
Management and general	52,598	-	52,598
	<hr/>	<hr/>	<hr/>
Total expenses	8,546,484	-	8,546,484
	<hr/>	<hr/>	<hr/>
Increase in net assets	676,339	127,652	803,991
	<hr/>	<hr/>	<hr/>
Net assets at beginning of year	33,188,437	320,597	33,509,034
	<hr/>	<hr/>	<hr/>
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 FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018

	Program Services			Supporting Services		
	Animal Services	Clinic	Other Programs	Fundraising	Management and General	Total
Salaries	\$ 1,460,326	\$ 1,213,307	\$ 555,062	\$ 183,253	\$ 34,294	\$ 3,446,242
Payroll taxes and employee benefits	246,838	191,945	114,436	28,899	5,698	587,816
Total salaries and related expenses	1,707,164	1,405,252	669,498	212,152	39,992	4,034,058
Depreciation	519,509	224,060	89,996	35,918	3,954	873,437
Feed/medical supplies	155,405	370,749	19,154	37	108	545,453
Retail	-	428,870	91	-	-	428,961
General insurance	207,816	129,760	44,834	26,747	1,893	411,050
Vet care	187,550	94,752	5,431	-	1,194	288,927
Printing and stationery	7,700	2,761	7,920	260,296	41	278,718
Equipment rental	11,547	2,835	80,020	95,220	310	189,932
Occupancy expenses	221,375	69,127	40,555	52,178	2,976	386,211
Miscellaneous	104,113	29,913	69,252	73,739	5,217	282,234
Contract labor	40,658	19,610	104,330	74,293	2,314	241,205
Professional services	63,357	45,148	12,776	39,438	1,157	161,876
Maintenance/repairs	100,025	35,836	20,894	4,748	850	162,353
Bad debt (recovery)	-	-	-	-	(2,105)	(2,105)
Travel, meals and meetings	21,514	8,822	15,781	80,952	11,640	138,709
Total expenses	<u>\$ 3,347,733</u>	<u>\$ 2,867,495</u>	<u>\$ 1,180,532</u>	<u>\$ 955,718</u>	<u>\$ 69,541</u>	<u>\$ 8,421,019</u>

See accompanying NOTES TO FINANCIAL STATEMENTS

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	\$ 1,616,731	\$ 1,174,482	\$ 594,225	\$ 233,428	\$ 35,185	\$ 3,654,051
Payroll taxes and employee benefits	283,295	196,293	103,031	38,675	5,685	626,979
Total salaries and related expenses	1,900,026	1,370,775	697,256	272,103	40,870	4,281,030
Depreciation	425,319	288,994	124,949	50,308	4,458	894,028
Feed/medical supplies	134,404	350,162	12,247	558	-	497,371
Retail	-	497,508	27,438	10,898	-	535,844
General insurance	208,362	127,776	45,082	25,732	3,418	410,370
Vet care	143,022	86,431	10,132	57	81	239,723
Printing and stationery	8,442	1,317	6,140	170,329	23	186,251
Equipment rental	8,008	3,707	82,109	112,178	256	206,258
Occupancy expenses	231,347	65,120	41,360	48,512	1,388	387,727
Miscellaneous	101,627	18,315	85,699	116,196	1,117	322,954
Contract labor	31,191	12,466	33,795	41,828	612	119,892
Professional services	82,408	43,469	14,988	22,474	704	164,043
Maintenance/repairs	88,590	33,385	15,537	12,778	1,107	151,397
Bad debt (recovery)	-	-	-	-	(2,597)	(2,597)
Travel, meals and meetings	18,648	8,623	27,746	96,015	1,161	152,193
Total expenses	\$ 3,381,394	\$ 2,908,048	\$ 1,224,478	\$ 979,966	\$ 52,598	\$ 8,546,484

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, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
<u>CASH FLOWS PROVIDED BY (USED FOR) OPERATING ACTIVITIES:</u>		
Change in net assets	\$ (2,145,568)	\$ 803,991
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities:		
Depreciation	873,437	894,028
Accretion of net discount on unconditional promises to give	-	(2,597)
Net realized and unrealized (gain) loss on investments	1,149,989	(929,201)
Net (gain) on disposition of property	(500)	(1,000)
(Increase) decrease in:		
Account receivable	(70,753)	405,277
City contract receivable	-	307,740
Unconditional promises to give	100,695	100,509
Medical supplies	(27,533)	31,571
Prepaid expenses	46,814	(40,918)
Deposits	-	-
Increase (decrease) in:		
Accounts payable	140,826	(68,225)
Accrued salaries and related expenses	8,383	(8,894)
Net cash provided by operating activities	<u>75,790</u>	<u>1,492,281</u>
<u>CASH FLOWS PROVIDED BY (USED FOR) INVESTING ACTIVITIES:</u>		
Purchases of property and equipment	(155,436)	(97,957)
Proceeds from the sale of property and equipment	500	1,000
Insurance proceeds received from damage to property	-	31,878
Purchases of investments	(2,608,998)	(5,066,304)
Proceeds from the maturity and sale of investments	<u>2,365,843</u>	<u>4,470,324</u>
Net cash (used for) investing activities	<u>(398,091)</u>	<u>(661,059)</u>
<u>CASH FLOWS PROVIDED BY (USED FOR) FINANCING ACTIVITIES:</u>		
Principal payments made on capital leases	<u>(10,287)</u>	<u>(9,787)</u>
Net cash (used for) financing activities	<u>(10,287)</u>	<u>(9,787)</u>
Net increase (decrease) in cash and cash equivalents	(332,588)	821,435
Cash and cash equivalents at beginning of year	<u>1,635,326</u>	<u>813,891</u>
Cash and cash equivalents at end of year	<u>\$ 1,302,738</u>	<u>\$ 1,635,326</u>
<u>Supplemental disclosure of cash flow information:</u>		
Interest paid	<u>\$ 3,118</u>	<u>\$ 290</u>

See accompanying NOTES TO FINANCIAL STATEMENTS

LOUISIANA SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

(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 subsidiaries LA/SPCA Holdings, LLC, New Orleans Humane Law & Rescue, Inc. (NOHLR) and Louisiana SPCA Foundation, Inc. (Foundation). All significant intercompany transactions have been eliminated in consolidation.

NOHLR is consolidated due to a shared management and board of directors of LASPCA and NOHLR.

The Foundation is consolidated 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

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) Accounting Standard Codification section 958, *Not-for-Profit Entities*. Under FASB ASC section 958, net assets, revenues and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the LASPCA are classified as net assets with or without donor restrictions.

LOUISIANA SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018 AND 2017

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

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.

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.

Accounts Receivable

LASPCA receives funding from local agencies for administering various grants and also receives payment for services rendered from its clinic operations. Management monitors the receivables and assesses the collectability of accounts on a monthly basis. LASPCA records an allowance for uncollectible accounts based on an assessment of the receivables, taking into consideration the nature of the account and aging of the balance. For the years ended December 31, 2018 and 2017, management has determined that all amounts were collectible and no allowance was necessary.

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.

LOUISIANA SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018 AND 2017

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

Investments

Investments are stated at fair value. There are no donor-restricted investments at December 31, 2018 and 2017. 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. Investment return is presented net of investment fees.

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 2018 and 2017. The three levels of the fair value hierarchy are described below:

Level 1 lies at the top of the hierarchy. Inputs are quoted prices in active markets.

Level 2 inputs are in the middle of the hierarchy, where data is adjusted from similar items traded in markets that are active markets or from identical or similar items in markets that are not active. Level 2 inputs do not stem directly from quoted prices.

Level 3 inputs are unobservable and require the entity to develop its own assumptions

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 2018 or 2017. If such transfers were to occur, they would be recognized as of the actual date of the event.

No level 2 or level 3 inputs were used by the LASPCA during 2018 or 2017.

LOUISIANA SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018 AND 2017

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

Investments (continued)

LASPCA's measurements of fair value are made on a recurring basis, and their valuation techniques (no changes in 2018 or 2017) 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.

Equities and exchange traded funds – 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.

Endowment Fund

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 2018 or 2017.

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, 2018 and 2017 was \$873,437 and \$894,028, respectively.

LOUISIANA SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018 AND 2017

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

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, 2018 and 2017 was \$76,542 and \$77,505, respectively. These amounts are included in accrued salaries and related expenses on the consolidated balance sheets.

Board Designated Endowment Fund

The LASPCA's governing board has designated \$9,294,374 from net assets without donor restrictions to serve as an endowment fund as of December 31, 2018.

Revenue Recognition

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

Support from contributions is recognized either on receipt or upon receiving an unconditional pledge or promise to give from a donor. Unconditional contributions are reported as unrestricted support which increases net assets without donor restrictions. LASPCA reports contributions of cash and other assets as donor 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, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restrictions. Donor restricted contributions whose restrictions are met in the same reporting period that they are received are reported as net assets without donor restriction 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.

LOUISIANA SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018 AND 2017

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

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 2018 or 2017. The Tax Cut and Jobs Act generally provides that a tax-exempt organization's unrelated business taxable income is increased by the amount of qualified transportation fringe benefits provided to employees. Management currently believes that the amount of unrelated business income related to parking offered to employees would be de minimis. Management also believes that all tax positions would be sustained if audited. There were no penalties or interest on income tax positions incurred in 2018 or 2017, but, if incurred, they would be classified in the statement of activities as a management and general expense.

LASPCA's tax filings for the years ended December 31, 2015 through the current year are open to audit under statute of limitations by the Internal Revenue Service.

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, 2018 and 2017 totaled \$39,838 and \$125,663, respectively.

Functional Expenses

Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services on the basis of periodic time and expense studies. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the LASPCA.

LOUISIANA SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS
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(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND NATURE OF OPERATIONS (CONTINUED)

New Accounting Pronouncement

On August 18, 2016, FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources and the lack of consistency in the type of information provided about expenses and investment return. The LASPCA has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

Subsequent Events

Subsequent events have been valued through June 17, 2019, which is the date the financial statements were available to be issued.

(2) LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects the LASPCA's financial assets as of December 31, 2018 and 2017, respectively, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date. Amounts not available include amounts set aside for long-term investing in the endowment fund that could be drawn upon if the governing board approves that action. However, amounts already appropriated from the endowment for general expenditure within one year of the balance sheet date have not been subtracted as unavailable.

	<u>2018</u>	<u>2017</u>
Financial assets, at year end	\$ 10,829,904	\$ 11,998,573
Less those unavailable for general expenditure within one year due to:		
Board designated endowment fund	(9,294,374)	(10,201,208)
Funds set aside for donor restricted purposes	<u>(521,504)</u>	<u>(448,249)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,014,026</u>	<u>\$ 1,349,116</u>

LOUISIANA SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS
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(2) LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS (CONTINUED)

As part of the LASPCA's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. As described in Note 4, the LASPCA has assets held in an endowment which are in excess of amounts held to handle daily cash requirements. Although the LASPCA does not intend to spend from its assets held at the Foundation other than amounts appropriated for general expenditure as part of its annual budget approval and appropriation process, amounts from the assets could be made available if necessary.

To help the LASPCA manage its unanticipated liquidity needs, the LASPCA has a line of credit in the amount of \$500,000 as described in Note 6.

(3) PROMISES TO GIVE

Unconditional promises to give consist of the following at December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Amounts due in less than one year	\$ 100,000	\$ 100,000
Amounts due in one to five years	<u>-</u>	<u>105,000</u>
Total unconditional promises to give	100,000	205,000
Less: discount to net present value	<u>-</u>	<u>(4,305)</u>
Net unconditional promises to give	<u>\$ 100,000</u>	<u>\$ 200,695</u>

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

	<u>2018</u>	<u>2017</u>
Current unconditional promises to give, net	\$ 100,000	\$ 100,000
Non-current unconditional promises to give, net	<u>-</u>	<u>100,695</u>
Total unconditional promises to give	<u>\$ 100,000</u>	<u>\$ 200,695</u>

The discount rate used on long-term promises to give was 1.68% at December 31, 2017. 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.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
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(4) INVESTMENTS

The fair value of investments are determined by quoted prices in active markets for identical assets (Level 1) and are as follows at December 31:

	<u>2018</u>	<u>2017</u>
Cash and money fund accounts	\$ 190,391	\$ 192,564
Exchange traded funds	2,310,563	-
Equities	1,340,691	4,768,982
Mutual funds	5,452,729	5,164,040
REITs	<u>-</u>	<u>75,622</u>
Total investments	<u>\$ 9,294,374</u>	<u>\$ 10,201,208</u>

The following schedule summarizes the investment return and its classification in the consolidated statement of activities for the years ended December 31:

	<u>2018</u>	<u>2017</u>
Interest and dividend income	\$ 485,369	\$ 286,074
Net realized and unrealized gains/(losses)	(1,149,989)	929,201
Investment management fees	<u>(70,282)</u>	<u>(68,993)</u>
Total investment income/(loss)	<u>\$ (734,902)</u>	<u>\$ 1,146,282</u>

(5) 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 net assets without donor restrictions – board designated.

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(5) ENDOWMENT FUND (CONTINUED)

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 board designated endowment funds without donor restrictions for the years ended December 31, 2018 and 2017 consists of the following:

	<u>2018</u>	<u>2017</u>
Beginning of year	\$ 10,201,208	\$ 8,670,884
Contributions/(withdrawals and fees), net	(242,150)	315,049
Dividends and interest	485,305	286,074
Realized gain (loss)	340,772	244,536
Unrealized gain (loss)	<u>(1,490,761)</u>	<u>684,665</u>
End of year	<u>\$ 9,294,374</u>	<u>\$ 10,201,208</u>

(6) BANK LINE OF CREDIT

LASPCA has a \$500,000 working capital line of credit available from Hancock Whitney 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, 2018 and 2017.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
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(7) NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at December 31, 2018 and 2017 were available for the following purposes:

	<u>2018</u>	<u>2017</u>
Animal adoptions	\$ 5,800	\$ -
Animal cruelty programs	5,941	6,677
Animal placement	95,403	(258)
Disaster response programs	25,370	29,066
Education programs	10,248	9,561
Equipment	-	9,969
Feral cat programs	34,254	150,706
Foster care programs	5,694	(94)
Heartworm treatment	4,787	5,528
Spay/neuter programs	159,519	29,580
Training programs	30,839	-
Transportation programs	35,663	72,129
Other - various	<u>107,986</u>	<u>135,385</u>
Total net assets with donor restrictions	<u>\$ 521,504</u>	<u>\$ 448,249</u>

Included in "other" are individual temporarily restricted items ranging from approximately \$1,000 to \$50,000 at December 31, 2018 and \$700 to \$76,000 at December 31, 2017.

(8) RELEASE OF NET ASSETS WITH DONOR RESTRICTIONS

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes. Purpose restrictions accomplished were \$803,263 and \$519,431 in 2018 and 2017, respectively.

(9) 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 2018 and 2017 were \$37,856 and \$39,406, respectively.

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(10) RELATED PARTY TRANSACTIONS

In 2018 and 2017, LASPCA maintained cash accounts with a financial institution which employed a board member.

(11) CONCENTRATIONS

LASPCA received 30% and 20% of its unrestricted revenue from its animal control contract with the City of New Orleans for the years ended December 31, 2018 and 2017, 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.

LASPCA maintained cash accounts at local banks during 2018 and 2017. The Federal Deposit Insurance Corporation provides insurance coverage under defined limits. Cash balances at financial institutions at December 31, 2018 and 2017 in excess of insured amounts were \$1,020,441 and \$1,152,496, respectively.

(12) 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. All leases are non-interest bearing. 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 equipment for the year ended December 31, 2018 and 2017 was \$9,038 and \$11,305, 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, 2018 and 2017 totaled \$31,090 and \$22,052, respectively.

Future minimum lease payments required under the capital leases as of December 31, 2018 are as follows:

2019	\$ 9,286
2020	<u>1,705</u>
	<u>\$ 10,991</u>

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

Operating Lease

During the year ended December 31, 2016, LASCPA 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, 2018 and 2017 totaled \$75,888 and \$79,070, respectively.

Future minimum rental payments required under the operating lease as of December 31, 2018 are as follows:

2019	\$ 75,888
2020	<u>25,296</u>
	<u>\$ 101,184</u>

(13) NEW ACCOUNTING PRONOUNCEMENTS

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.

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

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.

(14) 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.