

**LOUISIANA SOCIETY FOR THE PREVENTION**  
**OF CRUELTY TO ANIMALS**  
**FOR THE YEARS ENDED**  
**DECEMBER 31, 2016 AND 2015**



**ERICKSEN KRENTEL & LAPORTE<sup>LLP</sup>**  
CERTIFIED PUBLIC ACCOUNTANTS • CONSULTANTS

## **CONTENTS**

	<b><u>Page</u></b>
<b><u>INDEPENDENT AUDITORS' REPORT</u></b> .....	1 – 2
<b><u>FINANCIAL STATEMENTS:</u></b>	
Exhibit “A” Consolidated Statements of Financial Position .....	3 – 4
Exhibit “B” Consolidated Statements of Activities .....	5 – 6
Exhibit “C” Consolidated Statements of Cash Flows .....	7
Exhibit “D” Consolidated Statements of Functional Expenses .....	8 – 9
Notes to Consolidated Financial Statements .....	10 – 20



## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors  
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, 2016 and 2015, 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 financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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



To the Board of Directors  
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, 2016 and 2015, 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.

April 24, 2017  
New Orleans, Louisiana

Certified Public Accountants

**LOUISIANA SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
DECEMBER 31, 2016 AND 2015

**ASSETS**

	<u>2016</u>	<u>2015</u>
<b><u>CURRENT ASSETS:</u></b>		
Cash and cash equivalents	\$ 813,891	\$ 1,439,986
Accounts receivable	467,316	25,920
City contract receivable	307,740	153,870
Federal grant receivable	-	187,226
Current unconditional promises to give, net	105,509	445,427
Medical supplies	217,129	188,127
Prepaid expenses	<u>175,127</u>	<u>235,917</u>
 Total current assets	 <u>2,086,712</u>	 <u>2,676,473</u>
 <b><u>INVESTMENTS:</u></b>		
Endowment fund	8,670,884	8,679,598
Other investments	<u>5,143</u>	<u>5,144</u>
 Total investments	 <u>8,676,027</u>	 <u>8,684,742</u>
 <b><u>PROPERTY AND EQUIPMENT:</u></b>		
Land	971,927	963,127
Buildings	23,262,258	23,524,806
Equipment	3,075,323	2,965,991
Furniture and fixtures	796,451	795,674
Construction in progress	<u>8,870</u>	<u>-</u>
 Total property and equipment	 28,114,829	 28,249,598
 Less: accumulated depreciation	 <u>(4,909,810)</u>	 <u>(3,890,655)</u>
 Net property and equipment	 <u>23,205,019</u>	 <u>24,358,943</u>
 <b><u>OTHER ASSETS:</u></b>		
Non-current unconditional promises to give, net	193,098	292,507
Property held for sale	-	45,000
Deposits	<u>13,813</u>	<u>8,713</u>
 Total other assets	 <u>206,911</u>	 <u>346,220</u>
 Total assets	 <u>\$ 34,174,669</u>	 <u>\$ 36,066,378</u>

See accompanying NOTES TO FINANCIAL STATEMENTS

**LOUISIANA SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2016 AND 2015**

**LIABILITIES AND NET ASSETS**

	<u>2016</u>	<u>2015</u>
<b><u>CURRENT LIABILITIES:</u></b>		
Accounts payable	\$ 494,955	\$ 1,078,770
Accrued salaries and related expenses	139,615	105,028
Current portion of capital leases	<u>9,286</u>	<u>7,586</u>
Total current liabilities	<u>643,856</u>	<u>1,191,384</u>
 <b><u>LONG-TERM LIABILITIES:</u></b>		
Capital leases, less current portion	<u>21,779</u>	<u>26,247</u>
Total long-term liabilities	<u>21,779</u>	<u>26,247</u>
Total liabilities	<u>665,635</u>	<u>1,217,631</u>
 <b><u>NET ASSETS:</u></b>		
Unrestricted	24,517,553	25,544,775
Unrestricted - board designated	8,670,884	8,679,598
Temporarily restricted	<u>320,597</u>	<u>624,374</u>
Total net assets	<u>33,509,034</u>	<u>34,848,747</u>
Total liabilities and net assets	<u>\$ 34,174,669</u>	<u>\$ 36,066,378</u>

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

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<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	<u>431,690</u>	<u>-</u>	<u>431,690</u>
 Total public support and other revenues	 <u>7,264,613</u>	 <u>297,365</u>	 <u>7,561,978</u>
 Net assets released from restrictions	 <u>601,142</u>	 <u>(601,142)</u>	 <u>-</u>
 Total revenues and support	 <u>7,865,755</u>	 <u>(303,777)</u>	 <u>7,561,978</u>
 <b><u>EXPENSES:</u></b>			
Program services:			
Animal services	3,698,508	-	3,698,508
Clinic	2,645,851	-	2,645,851
Other programs	1,257,680	-	1,257,680
Supporting services:			
Fundraising	1,100,578	-	1,100,578
Management and general	<u>199,074</u>	<u>-</u>	<u>199,074</u>
 Total expenses	 <u>8,901,691</u>	 <u>-</u>	 <u>8,901,691</u>
 (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 ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b><u>REVENUES AND SUPPORT:</u></b>			
City contract	\$ 1,846,440	\$ -	\$ 1,846,440
Bequests	345,692	-	345,692
Donations and contributions	2,184,095	479,498	2,663,593
Service fees	1,290,045	-	1,290,045
Retail	432,486	-	432,486
Investment (loss)	(71,074)	-	(71,074)
(Loss) on disposal of property	(155,139)	-	(155,139)
Miscellaneous income	879	-	879
	<u>5,873,424</u>	<u>479,498</u>	<u>6,352,922</u>
Total public support and other revenues			
	<u>4,447,116</u>	<u>(4,447,116)</u>	<u>-</u>
Net assets released from restrictions			
	<u>10,320,540</u>	<u>(3,967,618)</u>	<u>6,352,922</u>
Total revenues and support			
<b><u>EXPENSES:</u></b>			
Program services:			
Animal services	3,539,231	-	3,539,231
Clinic	1,840,182	-	1,840,182
Other programs	1,082,724	-	1,082,724
Supporting services:			
Fundraising	922,043	-	922,043
Management and general	172,038	-	172,038
	<u>7,556,218</u>	<u>-</u>	<u>7,556,218</u>
Total expenses			
	2,764,322	(3,967,618)	(1,203,296)
Increase (decrease) in net assets			
	<u>31,460,051</u>	<u>4,591,992</u>	<u>36,052,043</u>
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			

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, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
<b><u>CASH FLOWS PROVIDED BY (USED FOR) OPERATING ACTIVITIES:</u></b>		
Change in net assets	\$ (1,339,713)	\$ (1,203,296)
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities:		
Depreciation	1,016,111	602,569
Accretion of net discount on unconditional promises to give	(28,994)	4,141
Net realized and unrealized (gain) loss on investments	(387,884)	368,164
Net loss (gain) on disposition of property	(53,776)	155,139
Bad debt expense (recovery)	-	(16,000)
(Increase) decrease in:		
Account receivable	(441,396)	(25,920)
City contract receivable	(153,870)	153,870
Federal grant receivable	187,226	532,586
Unconditional promises to give	468,321	(112,036)
Medical supplies	(29,002)	(78,374)
Prepaid expenses	60,790	(101,587)
Deposits	(5,100)	(3,538)
Increase (decrease) in:		
Accounts payable	(247,026)	(17,522)
Accrued salaries and related expenses	34,587	(260,933)
Net cash (used for) operating activities	<u>(919,726)</u>	<u>(2,737)</u>
<b><u>CASH FLOWS PROVIDED BY (USED FOR) INVESTING ACTIVITIES:</u></b>		
Purchases of property and equipment	(192,126)	(5,647,713)
Proceeds from the sale of property and equipment	100,000	-
Purchases of investments	(2,769,143)	(2,454,073)
Proceeds from the maturity and sale of investments	<u>3,165,742</u>	<u>6,846,439</u>
Net cash provided by (used for) investing activities	<u>304,473</u>	<u>(1,255,347)</u>
<b><u>CASH FLOWS PROVIDED BY (USED FOR) FINANCING ACTIVITIES:</u></b>		
Principal payments made on capital leases	<u>(10,842)</u>	<u>(4,109)</u>
Net cash (used for) financing activities	<u>(10,842)</u>	<u>(4,109)</u>
Net (decrease) in cash and cash equivalents	(626,095)	(1,262,193)
Cash and cash equivalents at beginning of year	<u>1,439,986</u>	<u>2,702,179</u>
Cash and cash equivalents at end of year	<u>\$ 813,891</u>	<u>\$ 1,439,986</u>
<b><u>Supplemental disclosure of cash flow information:</u></b>		
FEMA funds received included in operating activities	\$ 49,907	\$ -
Interest paid	<u>\$ 963</u>	<u>\$ 2,665</u>
<b><u>Supplemental disclosure of non-cash investing activities:</u></b>		
Construction expenditures included in accounts payable	<u>\$ -</u>	<u>\$ 770,789</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, 2016**

	Program Services			Supporting Services		
	Animal Services	Clinic	Other Programs	Fundraising	Management and General	Total
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	75	11,974	-	370,781
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	28,631	71,751	3,122	148,391
Contract labor	33,923	7,896	54,278	50,734	5,645	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	4,127	1,293	154	48,107
Travel and training	16,376	3,908	22,386	3,512	636	46,818
Advertising	100	-	4,917	35,744	72,482	113,243
Maintenance/repairs - vehicles	25,518	384	3,566	129	209	29,806
Hurricane evacuation	22,324	-	-	-	-	22,324
Bad debt expense and allowance	-	-	-	-	(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>\$ 1,257,680</u>	<u>\$ 1,100,578</u>	<u>\$ 199,074</u>	<u>\$ 8,901,691</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, 2015**

	Program Services			Supporting Services		Total
	Animal Services	Clinic	Other Programs	Fundraising	Management and General	
Salaries	\$ 1,652,977	\$ 702,597	\$ 468,882	\$ 249,204	\$ 26,124	\$ 3,099,784
Depreciation	401,758	138,416	46,130	15,007	1,258	602,569
Feed/medical supplies	151,200	242,161	20,091	-	-	413,452
Retail	20,698	299,563	-	7,990	-	328,251
General insurance	215,804	86,336	42,701	16,814	3,185	364,840
Hospitalization	190,162	56,792	47,173	25,787	1,884	321,798
Vet care	92,340	85,528	93,550	-	-	271,418
Payroll taxes	127,400	53,619	34,392	21,048	1,980	238,439
Printing and stationery	4,384	2,355	7,067	136,745	39	150,590
Rental expenses	16,170	1,084	2,445	96,348	41	116,088
Utilities	96,211	25,513	9,572	4,938	276	136,510
Office and cleaning supplies	111,871	32,758	33,154	8,554	820	187,157
Miscellaneous	43,578	20,452	42,055	42,681	789	149,555
Contract labor	19,460	5,369	85,282	52,537	712	163,360
Investment management fee	-	-	-	-	81,737	81,737
Professional services	36,340	20,667	8,158	23,472	60,952	149,589
Maintenance/repairs - equipment	62,933	15,992	3,299	1,493	141	83,858
Postage	9,508	2,757	5,311	50,537	80	68,193
Animal care supplies	38,099	2,877	2,614	1,157	795	45,542
Telephone	24,896	6,882	8,112	3,422	414	43,726
Computer	31,255	12,653	7,774	20,207	250	72,139
Maintenance/repairs - building	60,703	1,709	1,363	418	41	64,234
Travel and training	23,298	3,549	17,195	5,876	744	50,662
Advertising	14,395	7,279	66,031	72,827	17	160,549
Maintenance/repairs - vehicles	34,390	2	17,955	102	54	52,503
Hurricane evacuation	10,008	-	-	-	-	10,008
Bad debt expense (recovery)	-	-	-	-	(11,859)	(11,859)
Retirement plan	21,366	5,765	6,833	2,954	947	37,865
Uniforms	12,944	2,685	904	361	46	16,940
Dues and subscriptions	4,743	1,675	912	925	264	8,519
Meals and meetings	3,155	645	1,856	837	120	6,613
Licenses and permits	4,216	1,264	297	287	14	6,078
Interest expense	1,341	664	446	199	15	2,665
Small tools	1,628	574	1,170	129	158	3,659
Special event expense	-	-	-	59,187	-	59,187
Total expenses	<u>\$3,539,231</u>	<u>\$1,840,182</u>	<u>\$1,082,724</u>	<u>\$ 922,043</u>	<u>\$ 172,038</u>	<u>\$ 7,556,218</u>

See accompanying NOTES TO FINANCIAL STATEMENTS

**LOUISIANA SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016 AND 2015**

**(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.

**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, 2016 and 2015.

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, where all related expenses are also reported. 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 supports. 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 FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2016 AND 2015**

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

**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.

**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 that are not recognized as contributions in the financial statements since recognition criteria under ASC 958 were not met.

**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.

**Investments**

Investments are stated at fair value. There are no donor-restricted investments at December 31, 2016 and 2015. 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.

**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, 2016 and 2015 was \$1,016,111 and \$602,569, respectively.

**LOUISIANA SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2016 AND 2015**

**(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, 2016 and 2015 was \$93,523 and \$105,028, respectively.

**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 2016 or 2015. Management believes that all tax positions would be sustained if audited. There were no penalties or interest on income tax positions incurred in 2016 or 2015, 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, 2013 through the current year are open to audit under statute of limitations by the Internal Revenue Service.

**Inventory**

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

**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 Uniform Prudent Management of Institutional Funds Act (UPMIFA) (see note 3).

In 2010, the State of Louisiana adopted UPMIFA. LASPCA did not have any donor-restricted endowment funds during 2016 or 2015.

**LOUISIANA SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2016 AND 2015**

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

**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.

**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.

Significant estimates used in preparing these financial statements are the computation of the allowance for uncollectible promises to give and the fair value of investments. Because of the inherent uncertainties in determining these estimates, it is at least reasonably possible that the estimates used will change within the next year.

**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.

**Advertising Costs**

Advertising costs are expensed in the period incurred. No costs are capitalized. Advertising costs charged to expenses during the years ended December 31, 2016 and 2015 totaled \$113,243 and \$160,549, respectively

**Contracts and Grants Receivable Policies**

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

**Subsequent Events**

Subsequent events have been valued through April 24, 2017, which is the date the financial statements were available to be issued.

**LOUISIANA SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
DECEMBER 31, 2016 AND 2015

**(2) INVESTMENTS**

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
Other	<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>

Investments consist of the following amounts by major types as of December 31, 2015:

	<u>Endowment</u>	<u>Other Investments</u>	<u>Total</u>
Cash and money fund accounts	\$ 413,238	\$ 5,144	\$ 418,382
Equities	2,701,865	-	2,701,865
Mutual funds	5,037,065	-	5,037,065
Other	<u>527,430</u>	<u>-</u>	<u>527,430</u>
Total investments	<u>\$ 8,679,598</u>	<u>\$ 5,144</u>	<u>\$ 8,684,742</u>

Investment income (loss) consists of the following:

	<u>2016</u>	<u>2015</u>
Interest & dividend income	\$ 211,051	\$ 297,090
Net realized and unrealized gains/(losses)	<u>387,884</u>	<u>(368,164)</u>
Total investment income (loss)	<u>\$ 598,935</u>	<u>\$ (71,074)</u>

**LOUISIANA SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2016 AND 2015**

**(3) 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 and 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, 2016 and 2015 consists of the following:

	<u>2016</u>	<u>2015</u>
Unrestricted net assets, board designated endowment, beginning of year	\$ 8,679,598	\$ 9,377,932
Contributions/(withdrawals), net	(607,649)	(562,907)
Dividends and interest	211,051	265,174
Realized gain (loss)	(175,051)	53,702
Net unrealized gain (loss)	<u>562,935</u>	<u>(454,303)</u>
Unrestricted net assets, board designated endowment, end of year	<u>\$ 8,670,884</u>	<u>\$ 8,679,598</u>

**LOUISIANA SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2016 AND 2015**

**(4) PROMISES TO GIVE**

Unconditional promises to give consist of the following at December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Amounts due is less than one year	\$ 105,509	\$ 445,427
Amounts due in one to five years	<u>200,000</u>	<u>328,403</u>
Total unconditional promises to give	305,509	773,830
Less: discount to net present value	<u>(6,902)</u>	<u>(35,896)</u>
Net unconditional promises to give	<u>\$ 298,607</u>	<u>\$ 737,934</u>

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

	<u>2016</u>	<u>2015</u>
Current unconditional promises to give, net	\$ 105,509	\$ 445,427
Non-current unconditional promises to give, net	<u>193,098</u>	<u>292,507</u>
Total unconditional promises to give	<u>\$ 298,607</u>	<u>\$ 737,934</u>

The discount rate used on long-term promises to give was 1.47% and 1.68% at December 31, 2016 and 2015, 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.

**(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 3.50%. There was no outstanding principal balance under this line for the years ended December 31, 2016 and 2015.

**LOUISIANA SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2016 AND 2015**

**(6) TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets at December 31, 2016 and 2015 were available for the following purposes:

	<u>2016</u>	<u>2015</u>
Equipment	\$ 9,969	\$ 368,915
Other - various	<u>310,628</u>	<u>255,459</u>
Total temporarily restricted net assets	<u>\$ 320,597</u>	<u>\$ 624,374</u>

Included in "other" are individually temporarily restricted items ranging from approximately \$250 to \$76,000 at December 31, 2016 and \$40 to \$45,000 at December 31, 2015.

**(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 \$601,142 and \$4,447,116 in 2016 and 2015, 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 2016 and 2015 were \$49,298 and \$37,865, 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 23% and 17% of its unrestricted revenue from its animal control contract with the City of New Orleans for the years ended December 31, 2016 and 2015, 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)**  
**DECEMBER 31, 2016 AND 2015**

**(10) CONCENTRATIONS (CONTINUED)**

LASPCA maintained cash accounts at local banks during 2016 and 2015. The Federal Deposit Insurance Corporation provides insurance coverage under defined limits. Cash balances at financial institutions at December 31, 2016 and 2015 in excess of insured amounts were \$512,182 and \$891,603, 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 2016 and 2015. 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 Level 1 and 2, or transfers into and out of Level 3 in 2016 or 2015. 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 2016 or 2015) 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)**  
DECEMBER 31, 2016 AND 2015

**(11) FAIR VALUE MEASUREMENTS (CONTINUED)**

Equities – Valued at the quoted market price of shares on the last trading day of the year. The preceding method described 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, 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
Other assets	543,626	-	-	543,626
<b>Other investments:</b>				
Cash and money fund accounts	<u>5,143</u>	<u>-</u>	<u>-</u>	<u>5,143</u>
Total investments	<u>\$ 8,676,027</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,676,027</u>

The valuations of LASPCA's assets that are measured at fair value on a recurring basis at December 31, 2015 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	\$ 413,238	\$ -	\$ -	\$ 413,238
Equities	2,701,865	-	-	2,701,865
Mutual funds	5,037,065	-	-	5,037,065
Other assets	527,430	-	-	527,430
<b>Other investments:</b>				
Cash and money fund accounts	<u>\$ 5,144</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,144</u>
Total investments	<u>\$ 8,684,742</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,684,742</u>

**LOUISIANA SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2016 AND 2015**

**(12) NON-CURRENT PROPERTY HELD FOR SALE**

In 2013, LASPCA received a donation of five properties located in the City of New Orleans. The LASPCA sold one property in 2013 and four properties in 2014. The Japonica land has been vacant since 2005 and LASPCA has determined it is 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, 2016 and 2015 was \$7,567 and \$3,180, 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, 2016 and 2015 totaled \$10,747 and \$3,180, respectively.

Future minimum rental payments required under the capital leases as of December 31, 2016, are as follows:

2017	\$ 9,286
2018	9,286
2019	9,286
2020	<u>3,207</u>
	<u>\$ 31,065</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 calls for monthly payments of \$6,642 and expires on October 31, 2017. Total rent expense for the year ended December 31, 2016 totaled \$37,944.

**(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.