LOUISIANA SOCIETY FOR THE PREVENTION

OF CRUELTY TO ANIMALS

CONSOLIDATED FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED

DECEMBER 31, 2019 AND 2018

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) and affiliates, which comprise the consolidated statements of financial position as of December 31, 2019 and 2018, 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 consolidated 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.

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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 and affiliates as of December 31, 2019 and 2018, and the changes in their net assets and their 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 2014-09, "*Revenue from Contracts with Customers*" and ASU 2018-08 "*Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*" for the year ended December 31, 2019. Our opinion is not modified with respect to those matters.

June 8, 2020
New Orleans, Louisiana

Ericksen Krentel, LLP
Certified Public Accountants

LOUISIANA SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2019 AND 2018

ASSETS

	2019	Restated 2018
CURRENT ASSETS:		
Cash and cash equivalents	$ 2,520,996	$ 1,302,738
Accounts receivable	135,104	132,792
City contract receivable	339,853	-
Current unconditional promises to give	50,000	100,000
Medical supplies inventory	95,587	82,359
Retail inventory	195,733	157,152
Prepaid expenses	148,640	169,231
Total current assets	3,485,913	1,944,272
INVESTMENTS:		
Endowment fund	10,783,258	9,294,374
PROPERTY AND EQUIPMENT:		
Land	971,927	971,927
Buildings	23,441,237	23,307,712
Equipment	3,252,537	3,245,177
Furniture and fixtures	793,084	793,084
Construction in progress	8,870	8,870
Total property and equipment	28,467,655	28,326,770
Less: accumulated depreciation	(7,547,866)	(6,667,701)
Net property and equipment	20,919,789	21,659,069
OTHER ASSETS:		
Non-current unconditional promises to give, net	145,775	-
Deposits	13,813	13,813
Total other assets	159,588	13,813
Total assets	$ 35,348,548	$ 32,911,528

See accompanying NOTES TO FINANCIAL STATEMENTS

LOUISIANA SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2019 AND 2018

LIABILITIES AND NET ASSETS

	2019	Restated 2018
CURRENT LIABILITIES:		
Accounts payable	$ 423,853	$ 567,556
Accrued salaries and related expenses	133,549	139,104
Deferred revenues	22,500	-
Current portion of capital leases	2,098	10,991
Total current liabilities	582,000	717,651
Total liabilities	582,000	717,651
NET ASSETS:		
Net assets without donor restrictions - board designated	10,783,258	9,294,374
Net assets without donor restrictions - undesignated	23,566,067	22,377,999
Total net assets without donor restrictions	34,349,325	31,672,373
Net assets with donor restrictions	417,223	521,504
Total net assets	34,766,548	32,193,877
Total liabilities and net assets	$ 35,348,548	$ 32,911,528

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, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND SUPPORT:			
City contract	$ 2,025,368	$ -	$ 2,025,368
Bequests	952,984	-	952,984
Grants and contributions	1,612,266	390,847	2,003,113
Special event revenues	460,414	-	460,414
Service fees	1,988,984	-	1,988,984
On-site retail sales	658,254	-	658,254
Thrift store retail sales	188,687	-	188,687
Investment income, net	1,953,361	-	1,953,361
Litigation settlement	800,000	-	800,000
Gain on disposal of property	-	-	-
Total public support and other revenues	10,640,318	390,847	11,031,165
Net assets released from restrictions	495,128	(495,128)	-
Total revenues and support	11,135,446	(104,281)	11,031,165
EXPENSES:			
Program services:			
Animal services	3,214,146	-	3,214,146
Clinic	2,893,008	-	2,893,008
Other programs	1,322,018	-	1,322,018
Supporting services:			
Fundraising	966,129	-	966,129
Management and general	63,193	-	63,193
Total expenses	8,458,494	-	8,458,494
Change in net assets	2,676,952	(104,281)	2,572,671
Net assets at beginning of year	31,672,373	521,504	32,193,877
Net assets at end of year	$ 34,349,325	$ 417,223	$ 34,766,548

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, AS RESTATED

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND SUPPORT:			
City contract	$ 1,839,118	$ -	$ 1,839,118
Bequests	360,655	-	360,655
Grants and contributions	1,150,400	876,518	2,026,918
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)
Litigation settlement	-	-	-
Gain on disposal of property	500	-	500
Total public support and other revenues	5,561,707	876,518	6,438,225
Net assets released from restrictions	803,263	(803,263)	-
Total revenues and support	6,364,970	73,255	6,438,225
EXPENSES:			
Program services:			
Animal services	3,347,733	-	3,347,733
Clinic	2,867,495	-	2,867,495
Other programs	1,341,061	-	1,341,061
Supporting services:			
Fundraising	955,718	-	955,718
Management and general	71,646	-	71,646
Total expenses	8,583,653	-	8,583,653
Change in net assets	(2,218,683)	73,255	(2,145,428)
Net assets at beginning of year, as restated	33,891,056	448,249	34,339,305
Net assets at end of year, as restated	$ 31,672,373	$ 521,504	$ 32,193,877

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, 2019

	Program Services			Supporting Services		
	Animal Services	Clinic	Other Programs	Fundraising	Management and General	Total
Salaries	$ 1,470,520	$ 1,103,530	$ 513,471	$ 159,290	$ 33,998	$ 3,280,809
Payroll taxes and employee benefits	269,792	171,923	79,614	20,881	5,305	547,515
Total salaries and related expenses	1,740,312	1,275,453	593,085	180,171	39,303	3,828,324
Depreciation	393,014	322,078	124,454	36,664	3,955	880,165
Feed/medical supplies	137,505	367,866	5,945	441	6	511,763
Retail	-	429,316	180,097	55,220	-	664,633
General insurance	153,829	129,345	65,517	27,507	2,497	378,695
Vet care	202,614	77,312	1,696	457	116	282,195
Printing and stationery	8,515	3,221	3,853	205,034	80	220,703
Equipment rental	11,799	3,268	78,648	99,820	28	193,563
Occupancy expenses	212,859	82,301	51,615	67,983	2,448	417,206
Miscellaneous	59,338	22,322	32,123	98,119	469	212,371
Contract labor	35,715	21,209	113,335	64,921	698	235,878
Professional services	129,237	86,514	33,027	27,579	10,930	287,287
Maintenance/repairs	113,188	59,374	23,253	13,549	1,004	210,368
Bad debt expense	-	3,483	-	-	-	3,483
Travel, meals and meetings	16,221	9,946	15,370	88,664	1,659	131,860
Total expenses	$ 3,214,146	$ 2,893,008	$ 1,322,018	$ 966,129	$ 63,193	$ 8,458,494

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, AS RESTATED

	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	160,620	-	-	589,490
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	222,710	69,127	40,555	52,178	2,976	387,546
Miscellaneous	102,778	29,913	69,252	73,739	5,217	280,899
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 expense	-	-	-	-	-	-
Travel, meals and meetings	21,514	8,822	15,781	80,952	11,640	138,709
Total expenses	$ 3,347,733	$ 2,867,495	$ 1,341,061	$ 955,718	$ 71,646	$ 8,583,653

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, 2019 AND 2018

	2019	Restated 2018
CASH FLOWS PROVIDED BY (USED FOR) OPERATING ACTIVITIES:		
Change in net assets	$ 2,572,671	$ (2,119,148)
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities:		
Depreciation	880,165	873,437
Change in present value discount	4,225	(2,015)
Bad debt expense	3,483	-
Net realized and unrealized (gain) loss on investments	(1,656,919)	1,149,989
Net (gain) on disposition of property	-	(500)
(Increase) decrease in:		
Account receivable	(5,795)	(70,753)
City contract receivable	(339,853)	-
Unconditional promises to give	(100,000)	102,710
Medical supplies	(13,228)	9,887
Retail inventory	(38,581)	(63,840)
Prepaid expenses	20,591	46,814
Increase (decrease) in:		
Accounts payable	(143,703)	140,826
Accrued salaries and related expenses	(5,555)	8,383
Deferred revenues	22,500	-
Net cash provided by operating activities	1,200,001	75,790
CASH FLOWS PROVIDED BY (USED FOR) INVESTING ACTIVITIES:		
Purchases of property and equipment	(140,885)	(155,436)
Proceeds from the sale of property and equipment	-	500
Purchases of investments	(3,385,611)	(2,608,998)
Proceeds from the maturity and sale of investments	3,553,646	2,365,843
Net cash provided by (used for) investing activities	27,150	(398,091)
CASH FLOWS PROVIDED BY (USED FOR) FINANCING ACTIVITIES:		
Principal payments made on capital leases	(8,893)	(10,287)
Net cash (used for) financing activities	(8,893)	(10,287)
Net increase (decrease) in cash and cash equivalents	1,218,258	(332,588)
Cash and cash equivalents at beginning of year	1,302,738	1,635,326
Cash and cash equivalents at end of year	$ 2,520,996	$ 1,302,738
Supplemental disclosure of cash flow information:		
Interest paid	$ 2,462	$ 3,118

(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), The Louisiana Society for the Prevention of Cruelty to Animals Plaquemines Campus, LLC (Plaquemines Campus), and Louisiana SPCA Foundation, Inc. (Foundation). All significant intercompany transactions have been eliminated in consolidation.

NOHLR and Plaquemines Campus are consolidated due to shared management and a shared board of directors with LASPCA.

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) in its Accounting Standard Codification (ASC) 958, *Not-for-Profit Entities*. Under FASB ASC 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.

(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, 2019 and 2018, 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 the lower of cost, fair value at the date of donation, or net realizable value. Cost is determined by the first-in, first-out method.

(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, 2019 and 2018. Gains and losses on investments are reported on the statement of activities as increases or decreases in net assets without donor restrictions. Dividends, interest and other investment income are reported in the period earned in the statement of activities as increases in net assets without donor restrictions. 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 2019 and 2018. 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 2019 or 2018. 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 2019 or 2018.

(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 2019 or 2018) 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.

These methods 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

FASB 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 5). In 2010, the State of Louisiana adopted UPMIFA. LASPCA did not have any donor-restricted endowment funds during 2019 or 2018.

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, 2019 and 2018 was $880,165 and $873,437, respectively.

(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, 2019 and 2018 were $64,241 and $76,542, 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 $10,783,258 and $9,294,374 from net assets without donor restrictions to serve as an endowment fund as of December 31, 2019 and 2018, respectively.

City Contract Revenues

The LASPCA provides animal control and sheltering services to the City of New Orleans under a contract that is renewed annually. Revenue under these contracts is recognized ratably over the year as the service is provided. The LASPCA receives a set amount on a monthly basis under the terms of the contract.

Grants and Contributions

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.

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

Grants and Contributions (Continued)

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 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.

Special Events

The LASPCA receives revenues from special events. During the years ended December 31, 2019 and 2018, the LASPCA held two major events in each year. A portion of special event revenues is recognized as a contribution at the time of the ticket purchase. These amounts are reported to the donor as tax-deductible when received. The remainder of special event revenues are recognized when the event takes place as the event is the relevant performance obligation.

Service Fees

Service fees include adoptions, clinical medical services, spay and neuter fees, heartworm tags, and other services rendered to pet owners or veterinary clinics. These services are generally considered to contain a single performance obligation that is satisfied at a point in time and revenue is recognized when the service is provided. It is the policy of the LASPCA to not refund these fees.

Retail Sales

Revenue from merchandise sales is recognized when the customer receives and pays for the merchandise. Sales taxes collected from customers are excluded from revenue. The LASPCA does not have any financing components as payment is received at the point of sale. Returns are expected to be insignificant.

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

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 2019 or 2018. Management also believes that all tax positions would be sustained if audited. There were no penalties or interest on income tax positions incurred in 2019 or 2018, 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, 2016 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, 2019 and 2018 totaled $65,931 and $39,838, 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.

New Accounting Pronouncements

On May 28, 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The ASU and all subsequently issued clarifying ASUs superseded the revenue recognition requirements and most industry-specific guidance in U.S. generally accepted accounting principles. The core principle of the new guidance is that an entity recognizes 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. The new guidance also includes a cohesive set of disclosure requirements that will provide users of the financial statements with comprehensive information about the nature, amount, timing, and uncertainty of revenue and cash flows arising from the entity’s contracts with customers.

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

New Accounting Pronouncements (Continued)

The LASPCA adopted the requirements of the new guidance as of January 1, 2019, using the modified retrospective method of transition. In applying the new guidance, the LASPCA elected to use the practical expedient that allows the guidance to be applied only to contracts that were not complete as of January 1, 2019.

The majority of the LASPCA's revenue from contracts with customers, which includes retail and clinical sales, is recognized at a point in time based on the transfer of control. These revenue arrangements generally consist of a single performance obligation to transfer promised goods or services. Revenue from contracts recognized over time consists of performance obligations that are satisfied within one year or less. In addition, the majority of the LASCPA's contracts do not contain variable consideration and contract modifications are generally minimal. Therefore, the adoption of the new guidance did not have a significant impact on the LASPCA's financial statements. Based on the LASPCA's evaluation process and review of its contracts with customers, the timing and amount of revenue recognized previously is consistent with how revenue is recognized under the new guidance.

Also, on June 21, 2018, the FASB issued ASU No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The ASU provides a more robust framework for evaluating whether transactions such as grants and similar contracts with government agencies and others should be accounted for as exchange transactions (that is, revenue from contracts with customers) or contributions. The ASU also assists entities in determining whether a contribution is conditional. The LASPCA adopted the requirements of the ASU as of January 1, 2019. The changes in the ASU have been applied on a modified prospective basis, that is, the changes have been applied to agreements that are either not completed as of January 1, 2019, or entered into after that date.

Date of Management's Review

Subsequent events have been valued through June 8, 2020, which is the date the financial statements were available to be issued.

(2) LIQUIDITY AND AVAILIBILITY OF FINANCIAL ASSETS

The following reflects the LASPCA's financial assets as of December 31, 2019 and 2018, 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.

	2019	2018
Financial assets, at year end	$ 13,974,986	$ 10,829,904
Less those unavailable for general expenditure within one year due to:		
Board designated endowment fund	(10,286,275)	(8,823,596)
Non-current unconditional promises to give, net	(145,775)	-
Funds set aside for donor restricted purposes	(417,223)	(521,504)
Financial assets available to meet cash needs for general expenditures within one year	$ 3,125,713	$ 1,484,804

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 5, the LASPCA has assets held in an endowment which are in excess of amounts needed for 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, 2019 and 2018:

	2019	2018
Amounts due in less than one year	$ 50,000	$ 100,000
Amounts due in one to five years	150,000	-
Total unconditional promises to give	200,000	100,000
Less: discount to net present value	(4,225)	-
Net unconditional promises to give	$ 195,775	$ 100,000

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

	2019	2018
Current unconditional promises to give, net	$ 50,000	$ 100,000
Non-current unconditional promises to give, net	145,775	-
Total unconditional promises to give	$ 195,775	$ 100,000

The discount rate used on long-term promises to give was 1.69% at December 31, 2019. There was no discount to net present value on promises to give at December 31, 2018.

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.

(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:

	2019	2018
Cash and money fund accounts	$ 88,401	$ 190,391
Exchange traded funds	2,526,833	2,310,563
Equities	1,539,448	1,340,691
Mutual funds	6,628,576	5,452,729
Total investments	$ 10,783,258	$ 9,294,374

(4) INVESTMENTS (CONTINUED)

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

	2019	2018
Interest and dividend income	$ 362,643	$ 485,369
Net realized and unrealized gains/(losses)	1,656,919	(1,149,989)
Investment management fees	(66,201)	(70,282)
Total investment income/(loss)	$ 1,953,361	$ (734,902)

(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 statements of financial position as net assets without donor restrictions – board designated.

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 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, 2019 and 2018 consists of the following:

	2019	2018
Beginning of year	$ 9,294,374	$ 10,201,208
Contributions/(withdrawals and fees), net	(530,678)	(242,214)
Interest and dividend income	362,643	485,369
Net realized and unrealized gain (loss)	1,656,919	(1,149,989)
End of year	$ 10,783,258	$ 9,294,374

(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, 2019 and 2018.

(7) NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at December 31, 2019 and 2018 were available for the following purposes:

	2019	2018
Animal adoptions	$ -	$ 5,800
Animal cruelty programs	5,479	5,941
Animal placement	11,640	95,403
Disaster response programs	32,633	25,370
Education programs	25,823	10,248
Equipment	1,707	-
Feral cat programs	27,618	34,254
Foster care programs	33,370	5,694
Heartworm treatment	10,552	4,787
Spay/neuter programs	24,533	159,519
Training programs	5,769	30,839
Transportation programs	45,716	35,663
Other - various	192,381	107,986
Total net assets with donor restrictions	$ 417,223	$ 521,504

Included in "other" are individual temporarily restricted items ranging from approximately $500 to $90,000 at December 31, 2019 and $1,000 to $50,000 at December 31, 2018.

(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 $495,128 and $803,263 in 2019 and 2018, respectively.

(9) LITIGATION SETTLEMENT

During 2019, LASPCA settled a lawsuit related to the construction of its main building. In exchange for a release of claims related to the damages to the building, LASPCA received rights to a settlement of $1,165,614. During the year ended December 31, 2019, $800,000 of this amount was received and recorded in revenues. Further settlement payments under this agreement will be recorded as received.

(10) 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 2019 and 2018 were $35,322 and $37,856, respectively.

(11) RELATED PARTY TRANSACTIONS

In 2019 and 2018, LASPCA maintained cash accounts with a financial institution which employed a board member.

(12) CONCENTRATIONS

LASPCA received 19% and 29% of its total revenue from its animal control contract with the City of New Orleans for the years ended December 31, 2019 and 2018, respectively.

LASPCA maintained cash accounts at local banks during 2019 and 2018. The Federal Deposit Insurance Corporation provides insurance coverage under defined limits. Cash balances at financial institutions at December 31, 2019 and 2018 in excess of insured amounts were $1,768,276 and $1,020,441, respectively.

LASPCA held investments with one financial institution during 2019 and 2018. The Securities Investor Protection Corporation (SIPC) provides insurance coverage under defined limits. Investment balances at the financial institution at December 31, 2019 and 2018 in excess of insured amounts were $10,283,258 and $8,794,374, respectively.

(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. 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, 2019 and 2018 was $9,039 and $9,038, 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, 2019 and 2018 totaled $40,129 and $31,090, respectively.

(13) COMMITMENTS (CONTINUED)

Capital Leases

Future minimum lease payments required under the capital leases as of December 31, 2019 are as follows:

2020	$ 2,098

Operating Leases

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 $6,324 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. The lease has not been subsequently renewed. Total rent expense for the years ended December 31, 2019 and 2018 totaled $75,888 and $75,888, respectively.

Future minimum rental payments required under the operating lease as of December 31, 2019 are as follows:

2020	$ 25,296

LASPCA also leases rental equipment under short-term operating lease agreements. Total rent expense of leased equipment under short-term operating leases during the years ended December 31, 2019 and 2018 totaled $117,675 and $114,044.

(14) SUBSEQUENT EVENTS

At January 1, 2020, the LASPCA entered into a Cooperative Endeavor Agreement with the Plaquemines Parish Government as the governing authority for the Parish of Plaquemines, State of Louisiana to operate an animal shelter in the Parish. The initial term of the agreement ends on July 31, 2020, with an extension to December 31, 2020. Under the terms of the agreement, the LASPCA receives the use of an animal shelter and 12 equal payments of $30,833. The LASPCA would also be eligible to retain any and all adoption fees, wellness clinic fees, rabies vaccination fees, surrender fees, and grants or donations obtained from its operating of the shelter.

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) originated in Wuhan, China and has since spread to other countries, including the U.S. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, multiple jurisdictions in the U.S. have declared a state of emergency including the state of Louisiana. It is anticipated that these impacts will continue for some time. The LASPCA remains open with limitations, the physical thrift store is closed, and all fundraising events are cancelled until state restrictions have been lifted. The future effects of these issues are unknown.

(14) SUBSEQUENT EVENTS (CONTINUED)

The LASPCA received two loans under the SBA Paycheck Protection Program totaling $749,600. These loans may be fully forgiven under the terms of the program, but otherwise, has a maturity of 5 years and an interest rate of 1%.

(15) PRIOR PERIOD ADJUSTMENT

Net assets as of January 1, 2019 have been adjusted to increase thrift store inventory for adjustments to balances not previously recognized in prior years. The correction has no effect on the results of the current year's activities; however, the cumulative effect increased net assets by $26,420 as of January 1, 2019.

(16) NEW ACCOUNTING PRONOUNCEMENTS

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. Deferring the effective date of Update No. 2016-02, the FASB has issued Update No. 2019-10, "*Financial Instruments-Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Lease (Topic 842).*" Update No. 2019-10 permits entities to apply the guidance in Update No. 2016-02 to annual reporting periods beginning after December 15, 2020, and to interim reporting periods within annual reporting periods beginning after December 15, 2021. The FASB further delayed the implementation date by one year on May 20, 2020. Entities may now apply the guidance in Update No. 2016-02 to annual reporting periods beginning after December 15, 2021, and to interim reporting periods within annual reporting periods beginning after December 15, 2022. LASPCA plans to adopt this Update as applicable by the effective date.

(17) 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.