

LOUISIANA SOCIETY FOR THE PREVENTION
OF CRUELTY TO ANIMALS
CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED
DECEMBER 31, 2020 AND 2019



ERICKSEN KRENTEL LLP
CERTIFIED PUBLIC ACCOUNTANTS • CONSULTANTS

CONTENTS

	<u>Page</u>
<u>INDEPENDENT AUDITORS' REPORT</u>	1 – 2
<u>FINANCIAL STATEMENTS:</u>	
Exhibit “A” Consolidated Statements of Financial Position	3 – 4
Exhibit “B” Consolidated Statements of Activities	5 – 6
Exhibit “C” Consolidated Statements of Functional Expenses	7 – 8
Exhibit “D” Consolidated Statements of Cash Flows.....	9
Notes to Consolidated Financial Statements.....	10 – 23



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, 2020 and 2019, 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 audits. We conducted our audits 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.



ERICKSEN KRENTEL LLP

CERTIFIED PUBLIC ACCOUNTANTS • CONSULTANTS

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Louisiana Society for the Prevention of Cruelty to Animals and affiliates as of December 31, 2020 and 2019, 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.

June 15, 2021
New Orleans, Louisiana

Erickson Krentel, LLP

Certified Public Accountants

LOUISIANA SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2020 AND 2019

	<u>ASSETS</u>	
	<u>2020</u>	<u>2019</u>
<u>CURRENT ASSETS:</u>		
Cash and cash equivalents	\$ 4,247,765	\$ 2,520,996
Receivables:		
Accounts receivable	79,930	135,104
Contract receivables	376,728	339,853
Grant receivable	8,355	-
Current unconditional promises to give	-	50,000
Medical supplies inventory	113,439	95,587
Retail inventory	137,121	195,733
Prepaid expenses	123,903	148,640
Property held for sale	<u>370,000</u>	<u>-</u>
 Total current assets	 <u>5,457,241</u>	 <u>3,485,913</u>
 <u>INVESTMENTS:</u>		
Endowment fund	<u>11,276,904</u>	<u>10,783,258</u>
 Total investments	 <u>11,276,904</u>	 <u>10,783,258</u>
 <u>PROPERTY AND EQUIPMENT:</u>		
Land	971,927	971,927
Buildings	23,459,987	23,441,237
Equipment	3,320,475	3,252,537
Furniture and fixtures	647,979	793,084
Construction in progress	<u>8,870</u>	<u>8,870</u>
 Total property and equipment	 28,409,238	 28,467,655
 Less: accumulated depreciation	 <u>(8,216,689)</u>	 <u>(7,547,866)</u>
 Net property and equipment	 <u>20,192,549</u>	 <u>20,919,789</u>
 <u>OTHER ASSETS:</u>		
Non-current unconditional promises to give, net	-	145,775
Deposits	<u>8,813</u>	<u>13,813</u>
 Total other assets	 <u>8,813</u>	 <u>159,588</u>
 Total assets	 <u>\$ 36,935,507</u>	 <u>\$ 35,348,548</u>

See accompanying NOTES TO FINANCIAL STATEMENTS

LOUISIANA SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2020 AND 2019

LIABILITIES AND NET ASSETS

	<u>2020</u>	<u>2019</u>
<u>CURRENT LIABILITIES:</u>		
Accounts payable	\$ 423,692	\$ 423,853
Accrued salaries and related expenses	159,081	133,549
Deferred revenues	9,625	22,500
Current portion of capital leases	<u>2,226</u>	<u>2,098</u>
 Total current liabilities	 <u>594,624</u>	 <u>582,000</u>
 <u>LONG-TERM LIABILITIES:</u>		
Capital leases	<u>8,196</u>	<u>-</u>
 Total long-term liabilities	 <u>8,196</u>	 <u>-</u>
 Total liabilities	 <u>602,820</u>	 <u>582,000</u>
 <u>NET ASSETS:</u>		
Net assets without donor restrictions:		
Board designated	11,276,904	10,783,258
Undesignated	<u>24,579,406</u>	<u>23,566,067</u>
 Total net assets without donor restrictions	 <u>35,856,310</u>	 <u>34,349,325</u>
 Net assets with donor restrictions	 <u>476,377</u>	 <u>417,223</u>
 Total net assets	 <u>36,332,687</u>	 <u>34,766,548</u>
 Total liabilities and net assets	 <u><u>\$ 36,935,507</u></u>	 <u><u>\$ 35,348,548</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, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
<u>REVENUES AND SUPPORT:</u>			
Contract revenues	\$ 2,445,368	\$ -	\$ 2,445,368
Bequests	321,207	-	321,207
Grants and contributions	2,483,555	623,997	3,107,552
Special event revenues	-	-	-
Service fees	1,504,592	-	1,504,592
On-site retail sales	581,906	-	581,906
Thrift store retail sales	43,405	-	43,405
Investment income, net	990,630	-	990,630
Litigation settlement	366,406	-	366,406
	<u>8,737,069</u>	<u>623,997</u>	<u>9,361,066</u>
Total public support and other revenues			
	<u>8,737,069</u>	<u>623,997</u>	<u>9,361,066</u>
Net assets released from restrictions	<u>564,843</u>	<u>(564,843)</u>	<u>-</u>
	<u>9,301,912</u>	<u>59,154</u>	<u>9,361,066</u>
Total revenues and support			
	<u>9,301,912</u>	<u>59,154</u>	<u>9,361,066</u>
<u>EXPENSES:</u>			
Program services:			
Animal services	3,146,700	-	3,146,700
Clinic	2,733,094	-	2,733,094
Other programs	1,107,594	-	1,107,594
Supporting services:			
Fundraising	733,870	-	733,870
Management and general	73,669	-	73,669
	<u>7,794,927</u>	<u>-</u>	<u>7,794,927</u>
Total expenses			
	<u>7,794,927</u>	<u>-</u>	<u>7,794,927</u>
Change in net assets	1,506,985	59,154	1,566,139
Net assets at beginning of year	<u>34,349,325</u>	<u>417,223</u>	<u>34,766,548</u>
Net assets at end of year	<u>\$ 35,856,310</u>	<u>\$ 476,377</u>	<u>\$ 36,332,687</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, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<u>REVENUES AND SUPPORT:</u>			
Contract revenues	\$ 2,025,368	\$ -	\$ 2,025,368
Bequests	952,984	-	952,984
Grants and contributions	1,545,334	390,847	1,936,181
Special event revenues	460,414	-	460,414
Service fees	2,055,916	-	2,055,916
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	<u>800,000</u>	<u>-</u>	<u>800,000</u>
 Total public support and other revenues	 <u>10,640,318</u>	 <u>390,847</u>	 <u>11,031,165</u>
 Net assets released from restrictions	 <u>495,128</u>	 <u>(495,128)</u>	 <u>-</u>
 Total revenues and support	 <u>11,135,446</u>	 <u>(104,281)</u>	 <u>11,031,165</u>
 <u>EXPENSES:</u>			
Program services:			
Animal services	3,264,942	-	3,264,942
Clinic	2,922,864	-	2,922,864
Other programs	1,158,119	-	1,158,119
Supporting services:			
Fundraising	1,041,444	-	1,041,444
Management and general	<u>71,125</u>	<u>-</u>	<u>71,125</u>
 Total expenses	 <u>8,458,494</u>	 <u>-</u>	 <u>8,458,494</u>
 Change in net assets	 2,676,952	 (104,281)	 2,572,671
 Net assets at beginning of year, as restated	 <u>31,672,373</u>	 <u>521,504</u>	 <u>32,193,877</u>
 Net assets at end of year, as restated	 <u>\$ 34,349,325</u>	 <u>\$ 417,223</u>	 <u>\$ 34,766,548</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, 2020

	Program Services			Supporting Services		
	Animal Services	Clinic	Other Programs	Fundraising	Management and General	Total
Salaries	\$ 1,490,187	\$ 1,104,711	\$ 631,444	\$ 232,573	\$ 43,969	\$ 3,502,884
Payroll taxes and employee benefits	<u>240,417</u>	<u>168,689</u>	<u>77,780</u>	<u>45,572</u>	<u>5,893</u>	<u>538,351</u>
Total salaries and related expenses	1,730,604	1,273,400	709,224	278,145	49,862	4,041,235
Depreciation	371,469	320,680	86,900	36,316	7,100	822,465
Feed/medical supplies	142,130	292,516	18,960	15,770	18	469,394
Retail	-	399,487	1,228	8,198	-	408,913
General insurance	170,211	130,726	39,894	12,977	3,675	357,483
Vet care	145,302	55,062	8,649	1,034	-	210,047
Printing and stationery	8,260	1,748	3,551	217,910	37	231,506
Equipment rental	13,914	9,786	33,076	2,839	82	59,697
Occupancy expenses	236,402	111,625	65,368	74,501	3,063	490,959
Miscellaneous	114,822	20,980	21,570	15,027	2,437	174,836
Contract labor	34,745	23,343	86,838	41,279	4,036	190,241
Professional services	38,327	41,514	8,906	22,317	2,057	113,121
Maintenance/repairs	128,793	46,555	16,704	4,510	785	197,347
Bad debt expense	-	-	-	-	-	-
Travel, meals and meetings	<u>11,721</u>	<u>5,672</u>	<u>6,726</u>	<u>3,047</u>	<u>517</u>	<u>27,683</u>
Total expenses	<u>\$ 3,146,700</u>	<u>\$ 2,733,094</u>	<u>\$ 1,107,594</u>	<u>\$ 733,870</u>	<u>\$ 73,669</u>	<u>\$ 7,794,927</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, 2019

	Program Services			Supporting Services		
	Animal Services	Clinic	Other Programs	Fundraising	Management and General	Total
Salaries	\$ 1,505,295	\$ 1,124,526	\$ 415,135	\$ 196,277	\$ 39,577	\$ 3,280,810
Payroll taxes and employee benefits	<u>275,146</u>	<u>174,422</u>	<u>61,376</u>	<u>30,606</u>	<u>5,969</u>	<u>547,519</u>
Total salaries and related expenses	1,780,441	1,298,948	476,511	226,883	45,546	3,828,329
Depreciation	393,491	322,366	123,577	36,700	4,031	880,165
Feed/medical supplies	137,521	367,876	3,833	2,523	9	511,762
Retail	-	429,316	180,097	55,220	-	664,633
General insurance	160,301	133,253	52,809	28,797	3,535	378,695
Vet care	202,614	77,312	184	1,969	116	282,195
Printing and stationery	8,520	3,224	3,843	205,034	81	220,702
Equipment rental	11,841	3,293	78,572	99,823	35	193,564
Occupancy expenses	213,926	82,946	45,636	72,081	2,620	417,209
Miscellaneous	59,823	22,534	30,147	99,337	524	212,365
Contract labor	36,407	21,627	95,693	81,341	809	235,877
Professional services	129,969	86,956	31,563	27,753	11,048	287,289
Maintenance/repairs	113,832	59,763	22,068	13,598	1,107	210,368
Bad debt expense	-	3,483	-	-	-	3,483
Travel, meals and meetings	<u>16,256</u>	<u>9,967</u>	<u>13,586</u>	<u>90,385</u>	<u>1,664</u>	<u>131,858</u>
Total expenses	<u>\$ 3,264,942</u>	<u>\$ 2,922,864</u>	<u>\$ 1,158,119</u>	<u>\$ 1,041,444</u>	<u>\$ 71,125</u>	<u>\$ 8,458,494</u>

See accompanying NOTES TO FINANCIAL STATEMENTS

LOUISIANA SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
<u>CASH FLOWS PROVIDED BY (USED FOR) OPERATING ACTIVITIES:</u>		
Change in net assets	\$ 1,566,139	\$ 2,572,671
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities:		
Depreciation	822,465	880,165
Change in present value discount	(4,225)	4,225
Bad debt expense	-	3,483
Net realized and unrealized (gain) on investments	(616,464)	(1,656,919)
Donated property held for sale	(370,000)	-
(Increase) decrease in:		
Account receivable	55,174	(5,795)
Contract receivable	(36,875)	(339,853)
Grant receivable	(8,355)	-
Unconditional promises to give	200,000	(100,000)
Medical supplies inventory	(17,852)	(13,228)
Retail inventory	58,612	(38,581)
Prepaid expenses	24,737	20,591
Deposits	5,000	-
Increase (decrease) in:		
Accounts payable	(161)	(143,703)
Accrued salaries and related expenses	25,532	(5,555)
Deferred revenues	(12,875)	22,500
Net cash provided by operating activities	<u>1,690,852</u>	<u>1,200,001</u>
<u>CASH FLOWS PROVIDED BY (USED FOR) INVESTING ACTIVITIES:</u>		
Purchases of property and equipment	(83,225)	(140,885)
Purchases of investments	(2,282,820)	(3,385,611)
Proceeds from the maturity and sale of investments	<u>2,405,638</u>	<u>3,553,646</u>
Net cash provided by investing activities	<u>39,593</u>	<u>27,150</u>
<u>CASH FLOWS PROVIDED BY (USED FOR) FINANCING ACTIVITIES:</u>		
Principal payments made on capital leases	<u>(3,676)</u>	<u>(8,893)</u>
Net cash provided by (used for) financing activities	<u>(3,676)</u>	<u>(8,893)</u>
Net increase (decrease) in cash and cash equivalents	1,726,769	1,218,258
Cash and cash equivalents at beginning of year	<u>2,520,996</u>	<u>1,302,738</u>
Cash and cash equivalents at end of year	<u>\$ 4,247,765</u>	<u>\$ 2,520,996</u>
<u>Supplemental disclosure of cash flow information:</u>		
Interest paid	<u>\$ -</u>	<u>\$ 2,462</u>
<u>Supplemental disclosure of non-cash investing and financing activities:</u>		
Donation of property held for sale	\$ 370,000	\$ -
Disposal of fully-depreciated property and equipment	\$ 145,105	\$ -
Capital lease of equipment	\$ 12,000	\$ -

LOUISIANA SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

(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

The financial statements have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

The financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) in its Accounting Standards Codification (ASC) 958-210-50-3, *Financial Statements of Not-for-Profit Organizations*. Under FASB ASC 958-210-50-3, the LASPCA is required to report information regarding its financial position and activities according to two classes of net assets:

Net assets with donor restrictions - The part of net assets of a not-for-profit entity that is subject to donor-imposed restrictions (donors include other types of contributors, including makers of certain grants).

Net assets without donor restrictions - The part of net assets of a not-for-profit entity that is not subject to donor-imposed restrictions (donors include other types of contributors, including makers of certain grants).

LOUISIANA SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2020 AND 2019

(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, Contracts, and Grants 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, 2020 and 2019, 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.

LOUISIANA SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2020 AND 2019

(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, 2020 and 2019. 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 2020 and 2019. 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 2020 or 2019. 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 2020 or 2019.

LASPCA's measurements of fair value are made on a recurring basis, and their valuation techniques (no changes in 2020 or 2019) 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.

LOUISIANA SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2020 AND 2019

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

Investments (continued)

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 2020 or 2019.

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 years ended December 31, 2020 and 2019 was \$822,465 and \$880,165, respectively.

Compensation for Future Absences

LASPCA has accrued compensation for future absences. LASPCA's vacation policy is that when proper notice of resignation or termination is given the employee will be paid for accumulated vacation. Sick leave may be carried over to the next year, but LASPCA does not compensate for accumulated sick leave time upon termination of employment. Accrued compensated absences as of December 31, 2020 and 2019 were \$76,798 and \$64,241, respectively. These amounts are included in accrued salaries and related expenses on the consolidated statements of financial position.

Board Designated Endowment Fund

The LASPCA's governing board has designated \$11,276,904 and \$10,783,258 from net assets without donor restrictions to serve as an endowment fund as of December 31, 2020 and 2019, respectively.

LOUISIANA SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2020 AND 2019

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

Revenue Recognition

City Contract Revenues

The LASPCA provides animal control and sheltering services to the City of New Orleans and Plaquemines Parish under contracts that are 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 contracts.

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.

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.

LOUISIANA SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2020 AND 2019

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

Revenue Recognition (Continued)

Special Events

The LASPCA receives revenues from special events. During the year ended December 31, 2019, the LASPCA held two major events. During 2020, no major special events were held as a result of the COVID-19 pandemic. 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.

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 2020 or 2019. Management also believes that all tax positions would be sustained if audited. There were no penalties or interest on income tax positions incurred in 2020 or 2019, 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, 2017 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, 2020 and 2019 totaled \$14,584 and \$65,931, respectively.

LOUISIANA SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2020 AND 2019

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

Assets Held for Sale

During 2020, the LASPCA received a donation of real property with a fair market value of \$370,000. Management intends to sell the property and therefore recorded the property at fair market value and separated it from other long-lived property on the balance sheet. The property has been listed for sale and is expected to be sold as soon as practicable.

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.

Date of Management's Review

Subsequent events have been valued through June 15, 2021, 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, 2020 and 2019, 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>2020</u>	<u>2019</u>
Financial assets, at year end	\$ 15,989,682	\$ 13,974,986
Less those unavailable for general expenditure within one year due to:		
Board designated endowment fund	(10,772,015)	(10,286,275)
Non-current unconditional promises to give, net	<u>-</u>	<u>(145,775)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 5,217,667</u>	<u>\$ 3,542,936</u>

LOUISIANA SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2020 AND 2019

(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 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, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Amounts due in less than one year	\$ -	\$ 50,000
Amounts due in one to five years	<u>-</u>	<u>150,000</u>
Total unconditional promises to give	-	200,000
Less: discount to net present value	<u>-</u>	<u>(4,225)</u>
Net unconditional promises to give	<u>\$ -</u>	<u>\$ 195,775</u>

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

	<u>2020</u>	<u>2019</u>
Current unconditional promises to give, net	\$ -	\$ 50,000
Non-current unconditional promises to give, net	<u>-</u>	<u>145,775</u>
Total unconditional promises to give	<u>\$ -</u>	<u>\$ 195,775</u>

The discount rate used on long-term promises to give was 1.69% at December 31, 2019.

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.

LOUISIANA SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2020 AND 2019

(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>2020</u>	<u>2019</u>
Cash and money fund accounts	\$ 110,953	\$ 88,401
Exchange traded funds	2,945,943	2,526,833
Equities	2,130,315	1,539,448
Mutual funds	<u>6,089,693</u>	<u>6,628,576</u>
Total investments	<u>\$ 11,276,904</u>	<u>\$ 10,783,258</u>

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

	<u>2020</u>	<u>2019</u>
Interest and dividend income	\$ 440,017	\$ 362,643
Realized gains	442,580	75,383
Unrealized gains/(losses)	173,884	1,581,536
Investment management fees	<u>(65,851)</u>	<u>(66,201)</u>
Total investment income/(loss)	<u>\$ 990,630</u>	<u>\$ 1,953,361</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 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.

LOUISIANA SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2020 AND 2019

(5) ENDOWMENT FUND (CONTINUED)

Changes in board designated endowment funds without donor restrictions for the years ended December 31, 2020 and 2019 consists of the following:

	<u>2020</u>	<u>2019</u>
Beginning of year	\$ 10,783,258	\$ 9,294,374
Contributions	-	13,738
Interest and dividend income, net	374,166	296,442
Net realized and unrealized gain (loss)	616,464	1,656,919
Distribution from board designated endowment pursuant to distribution policy	<u>(496,984)</u>	<u>(478,215)</u>
End of year	<u>\$ 11,276,904</u>	<u>\$ 10,783,258</u>

(6) BANK LINE OF CREDIT

LASPCA has a \$500,000 working capital line of credit available from Hancock Whitney Bank. The line matures annually on October 30 and has a current maturity of October 30, 2021. 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 3.25%. There was no outstanding principal balance under this line for the years ended December 31, 2020 and 2019.

(7) NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at December 31, 2020 and 2019 were available for the following purposes:

	<u>2020</u>	<u>2019</u>
Animal adoptions	\$ 75,000	\$ -
Animal cruelty programs	5,479	5,479
Animal placement	-	11,640
Disaster response programs	102,209	32,633
Education programs	14,075	25,823
Equipment	-	1,707
Feral cat programs	27,461	27,618
Foster care programs	14,768	33,370
Heartworm treatment	67,084	10,552
Spay/neuter programs	102,573	24,533
Training programs	4,725	5,769
Transportation programs	19,818	45,716
Other - various	<u>43,185</u>	<u>192,383</u>
Total net assets with donor restrictions	<u>\$ 476,377</u>	<u>\$ 417,223</u>

Included in "other" are individual temporarily restricted items ranging from approximately \$100 to \$20,000 at December 31, 2020 and \$500 to \$90,000 at December 31, 2019.

LOUISIANA SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2020 AND 2019

(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 \$564,843 and \$495,128 in 2020 and 2019, respectively.

(9) CONTRACT REVENUES

The LASPCA contracts annually with the City of New Orleans through a cooperative endeavor agreement to operate an animal shelter and provide animal control services. Under the terms of the agreements the LASPCA received \$2,075,368 and \$2,025,368 for the years ended December 31, 2020 and 2019, respectively. 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 sheltering operations.

Beginning on January 1, 2020, the LASPCA contracts annually 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 ended on July 31, 2020, with an extension to December 31, 2020. A new contract was signed for the year ended December 31, 2021. Under the terms of the agreement, the LASPCA receives the use of an animal shelter and 12 equal payments of \$30,833. The value of the use of the animal shelter could not be reasonably estimated for the year ended December 31, 2020 and has not been recognized in the financial statements. For the year ended December 31, 2020, the LASPCA recognized \$370,000 of contract revenues in connection with this agreement. 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.

(10) PAYCHECK PROTECTION PROGRAM

The LASPCA was granted two loans under the Paycheck Protection Program “PPP” administered by a Small Business Administration (SBA) approved partner totaling \$749,600. The loans are uncollateralized and are fully guaranteed by the Federal government. The LASPCA initially recorded the loans as refundable advances and subsequently recognized grant revenue in accordance with guidance for conditional contributions; that is, once the measurable performance or other barrier and right of return of the PPP loan no longer existed. The LASPCA has recognized \$749,600 as grant revenue for the year ended December 31, 2020.

(11) 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 \$1,166,406. During the year ended December 31, 2020, \$366,406 of this amount was received and recognized as revenue. During the year ended December 31, 2019, \$800,000 of this amount was received and recognized as revenue.

LOUISIANA SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2020 AND 2019

(12) 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 2020 and 2019 were \$46,146 and \$35,322, respectively.

(13) RELATED PARTY TRANSACTIONS

In 2020 and 2019, LASPCA maintained cash accounts with a financial institution which employed a family member of a board member.

(14) CONCENTRATIONS

LASPCA received 22% and 19% of its total revenue from its animal control contract with the City of New Orleans for the years ended December 31, 2020 and 2019, respectively.

LASPCA maintained cash accounts at local financial institutions during 2020 and 2019. The Federal Deposit Insurance Corporation provides insurance coverage under defined limits. Cash balances at financial institutions at December 31, 2020 and 2019 in excess of insured amounts were \$3,093,187 and \$1,768,276, respectively.

LASPCA held investments with one financial institution during 2020 and 2019. The Securities Investor Protection Corporation (SIPC) provides insurance coverage under defined limits. Investment balances at the financial institution at December 31, 2020 and 2019 in excess of insured amounts were \$10,776,904 and \$10,283,258, respectively.

(15) 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.

During the year ended December 31, 2020, LASPCA entered into 60-month leases for two copiers and a postage machine. 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.

LOUISIANA SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2020 AND 2019

(15) COMMITMENTS (CONTINUED)

Capital Leases (Continued)

Future minimum lease payments under the terms of the leases as of December 31, 2020 are as follows:

2021	\$ 2,226
2022	2,400
2023	2,400
2024	2,400
2025	<u>996</u>
Total	<u>\$ 10,422</u>

The cost of the equipment under capital lease at December 31, 2020 and 2019, totaled \$57,945 and \$46,006, respectively, and the related accumulated amortization at December 31, 2020 and 2019 totaled \$47,456 and \$40,129, respectively. Amortization expense of the leased equipment for the years ended December 31, 2020 and 2019 was \$7,327 and \$9,039, respectively, and is included in depreciation expense in the accompanying financial statements.

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, 2020 and 2019 totaled \$31,620 and \$75,888, respectively.

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, 2020 and 2019 totaled \$59,627 and \$117,675.

(16) RISKS AND UNCERTAINTIES

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. During 2020, the LASPCA adjusted its programming to follow governmental regulations and canceled its major special events. It is currently unknown whether further governmental regulations will be enacted that could hamper the LASPCA's programs or ability to raise funds. Due to the uncertainty, it is at least reasonably possible that changes in the near term could materially affect the Organization's operations.

LOUISIANA SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2020 AND 2019

(17) 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 to annual reporting periods beginning after December 15, 2020, the FASB issued Update No. 2019-10, “*Financial Instruments- Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Lease (Topic 842)*.” The FASB further delayed the implementation date by one year through ASU 2020-05 “*Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842)*.” 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. The LASPCA plans to adopt this Update as applicable by the effective date.

The FASB has issued ASU 2020-07, “*Not-for-Profit Entities (Topic 958), Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The Update requires nonprofits to change their financial statement presentation and disclosure of contributed nonfinancial assets, or gifts-in-kind. The FASB has issued the update in an effort to improve transparency in reporting nonprofit gifts-in-kind. The Update requires the new standard to be applied retrospectively. Entities must apply the guidance in the Update to annual reporting periods beginning after December 15, 2021. The LASPCA plans to adopt this Update as applicable by the effective date.

(18) 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.

(19) SUBSEQUENT EVENTS

In March of 2021, the LASPCA sold its asset held for sale for \$304,500 and recognized a loss on the sale of \$65,500.

In April 2021, the LASPCA received a second draw under the Small Business Administration’s Paycheck Protection Program amounting to \$516,482. This amount is eligible for forgiveness upon meeting certain requirements as set out in the program’s terms.