LOUISIANA SOCIETY FOR THE PREVENTION

OF CRUELTY TO ANIMALS

CONSOLIDATED FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED

DECEMBER 31, 2023 AND 2022

ERICKSEN KRENTEL LLP

CERTIFIED PUBLIC ACCOUNTANTS • CONSULTANTS

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Management of
Louisiana Society for the Prevention of Cruelty to Animals
New Orleans, Louisiana

Opinion

We have audited the accompanying consolidated financial statements of Louisiana Society for the Prevention of Cruelty to Animals (a nonprofit organization) and subsidiaries, which comprise the consolidated statements of financial position as of December 31, 2023 and 2022, 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.

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 subsidiaries as of December 31, 2023 and 2022, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Louisiana Society for the Prevention of Cruelty to Animals and subsidiaries and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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, and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Louisiana Society for the Prevention of Cruelty to Animals and subsidiaries' ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

ERICKSEN KRENTEL LLP
CERTIFIED PUBLIC ACCOUNTANTS • CONSULTANTS

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.

- Obtain an understanding of internal control relevant to the audit 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 Louisiana Society for the Prevention of Cruelty to Animals and subsidiaries' internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Louisiana Society for the Prevention of Cruelty to Animals and subsidiaries' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

May 25, 2024 — Ericksen Krentel, LLP
New Orleans, Louisiana — Certified Public Accountants

LOUISIANA SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2023 AND 2022

ASSETS

	2023	2022
CURRENT ASSETS:		
Cash and cash equivalents	$ 5,370,557	$ 4,064,173
Receivables:		
Accounts receivable	61,762	52,179
Contract receivables	555,316	454,379
Inventory	96,543	77,556
Prepaid expenses	252,646	191,379
Total current assets	6,336,824	4,839,666
INVESTMENTS:		
Beneficial interest in designated fund	1,738,141	1,625,325
Operating fund	213	1,050,782
Endowment fund	11,765,641	9,453,068
Total investments	13,503,995	12,129,175
PROPERTY AND EQUIPMENT:		
Land	971,927	971,927
Buildings	25,492,304	23,536,897
Equipment	3,829,282	3,724,356
Furniture and fixtures	661,633	652,072
Total property and equipment	30,955,146	28,885,252
Less: accumulated depreciation	(10,484,516)	(9,768,420)
Net property and equipment	20,470,630	19,116,832
OTHER ASSETS:		
Right of use assets - financing lease, net	22,753	32,866
Deposits	8,563	8,813
Total other assets	31,316	41,679
Total assets	$ 40,342,765	$ 36,127,352

See accompanying NOTES TO FINANCIAL STATEMENTS

LOUISIANA SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2023 AND 2022

LIABILITIES AND NET ASSETS

	2023	2022
CURRENT LIABILITIES:		
Accounts payable	$ 230,621	$ 224,852
Accrued salaries and related expenses	59,105	194,852
Other accrued expenses	159,862	145,535
Current portion of financing leases	10,044	10,134
Total current liabilities	459,632	575,373
LONG-TERM LIABILITIES:		
Financing leases, net of current portion	12,428	22,181
Total long-term liabilities	12,428	22,181
Total liabilities	472,060	597,554
NET ASSETS:		
Net assets without donor restrictions:		
Board designated	11,765,641	9,453,068
Undesignated	22,753,933	23,350,951
Total net assets without donor restrictions	34,519,574	32,804,019
Net assets with donor restrictions	5,351,131	2,725,779
Total net assets	39,870,705	35,529,798
Total liabilities and net assets	$ 40,342,765	$ 36,127,352

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, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND SUPPORT:			
Contract revenues	$ 3,468,663	$ -	$ 3,468,663
Bequests	595,727	2,936,704	3,532,431
Grants and contributions	1,613,673	451,547	2,065,220
Special event revenues	541,874	-	541,874
Service fees	2,008,288	-	2,008,288
Retail sales	551,650	-	551,650
Investment income (loss), net	1,411,623	-	1,411,623
Gain on sale of asset	-	-	-
Total public support and other revenues	10,191,498	3,388,251	13,579,749
Net assets released from restrictions	762,899	(762,899)	-
Total revenues and support	10,954,397	2,625,352	13,579,749
EXPENSES:			
Program services:			
Animal services	4,522,609	-	4,522,609
Clinic	2,413,775	-	2,413,775
Other programs	809,854	-	809,854
Supporting services:			
Fundraising	1,414,272	-	1,414,272
Management and general	78,332	-	78,332
Total expenses	9,238,842	-	9,238,842
Change in net assets	1,715,555	2,625,352	4,340,907
Net assets at beginning of year	32,804,019	2,725,779	35,529,798
Net assets at end of year	$ 34,519,574	$ 5,351,131	$ 39,870,705

LOUISIANA SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS
CONSOLIDATED STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND SUPPORT:			
Contract revenues	$ 2,731,792	$ -	$ 2,731,792
Bequests	487,471	1,625,325	2,112,796
Grants and contributions	1,299,200	651,417	1,950,617
Special event revenues	193,758	-	193,758
Service fees	1,758,579	-	1,758,579
Retail sales	464,829	-	464,829
Investment income (loss), net	(2,408,562)	-	(2,408,562)
Gain on sale of asset	1,000	-	1,000
Total public support and other revenues	4,528,067	2,276,742	6,804,809
Net assets released from restrictions	804,969	(804,969)	-
Total revenues and support	5,333,036	1,471,773	6,804,809
EXPENSES:			
Program services:			
Animal services	4,352,958	-	4,352,958
Clinic	2,979,330	-	2,979,330
Other programs	785,079	-	785,079
Supporting services:			
Fundraising	1,077,899	-	1,077,899
Management and general	129,530	-	129,530
Total expenses	9,324,796	-	9,324,796
Change in net assets	(3,991,760)	1,471,773	(2,519,987)
Net assets at beginning of year	36,795,779	1,254,006	38,049,785
Net assets at end of year	$ 32,804,019	$ 2,725,779	$ 35,529,798

LOUISIANA SOCIETY FOR THE PREVENTION OF CRUELTY TO ANIMALS
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2023

	Program Services			Supporting Services		
	Animal Services	Clinic	Other Programs	Fundraising	Management and General	Total
Salaries	$ 2,218,463	$ 1,000,341	$ 414,383	$ 312,840	$ 40,778	$ 3,986,805
Payroll taxes and employee benefits	355,440	148,308	57,523	50,387	6,533	618,191
Total salaries and related expenses	2,573,903	1,148,649	471,906	363,227	47,311	4,604,996
Depreciation	277,290	284,835	108,327	58,555	5,843	734,850
Feed/medical supplies	267,358	229,861	2,142	47	75	499,483
Retail	-	258,428	-	-	-	258,428
General insurance	351,676	117,660	37,117	18,823	4,531	529,807
Vet care	274,519	65,520	-	-	-	340,039
Printing and stationery	3,735	1,165	2,006	10,774	-	17,680
Equipment rental	17,957	7,364	6	1	-	25,328
Occupancy expenses	275,297	122,934	64,597	59,265	4,165	526,258
Miscellaneous	101,601	12,735	12,782	34,842	1,632	163,592
Contract labor	154,519	73,579	88,417	660,554	9,495	986,564
Professional services	46,059	36,237	5,661	27,218	949	116,124
Maintenance/repairs	160,446	43,998	13,015	6,795	3,122	227,376
Travel, meals and meetings	18,249	10,810	3,878	174,171	1,209	208,317
Total expenses	$ 4,522,609	$ 2,413,775	$ 809,854	$ 1,414,272	$ 78,332	$ 9,238,842

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, 2022

	Program Services			Supporting Services		
	Animal Services	Clinic	Other Programs	Fundraising	Management and General	Total
Salaries	$ 2,162,963	$ 1,097,550	$ 379,148	$ 262,990	$ 39,636	$ 3,942,287
Payroll taxes and employee benefits	295,762	208,003	53,257	49,958	5,351	612,331
Total salaries and related expenses	2,458,725	1,305,553	432,405	312,948	44,987	4,554,618
Depreciation	277,102	325,510	96,758	40,946	17,576	757,892
Feed/medical supplies	296,133	301,168	10,719	28	1	608,049
Retail	328	489,476	-	14,998	-	504,802
General insurance	259,699	138,647	33,286	13,989	6,185	451,806
Vet care	242,294	97,016	-	-	-	339,310
Printing and stationery	16,206	493	1,008	9,553	363	27,623
Equipment rental	21,302	7,789	477	1,822	42	31,432
Occupancy expenses	281,367	124,177	57,859	46,229	29,534	539,166
Miscellaneous	88,817	7,043	12,072	22,776	12,383	143,091
Contract labor	212,305	77,367	112,988	451,827	14,463	868,950
Professional services	31,496	34,916	5,465	27,850	987	100,714
Maintenance/repairs	140,842	51,902	13,660	5,311	2,940	214,655
Travel, meals and meetings	26,342	18,273	8,382	129,622	69	182,688
Total expenses	$ 4,352,958	$ 2,979,330	$ 785,079	$ 1,077,899	$ 129,530	$ 9,324,796

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, 2023 AND 2022

	2023	2022
CASH FLOWS PROVIDED BY (USED FOR) OPERATING ACTIVITIES:		
Change in net assets	$ 4,340,907	$ (2,519,987)
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities:		
Depreciation	734,850	757,892
Gain on sale of asset	-	(1,000)
Net realized and unrealized (gain) loss on investments	(967,428)	2,813,630
Donated financial assets	-	(1,625,325)
(Increase) decrease in:		
Account receivable	(9,583)	174,797
Contract receivable	(100,937)	426,216
Inventory	(18,987)	59,559
Prepaid expenses	(61,267)	(34,171)
Deposits	250	-
Increase (decrease) in:		
Accounts payable	5,769	(69,651)
Accrued salaries and related expenses	(135,747)	43,299
Other accrued expenses	14,327	(58,155)
Net cash provided by (used for) operating activities	3,802,154	(32,896)
CASH FLOWS PROVIDED BY (USED FOR) INVESTING ACTIVITIES:		
Purchases of property and equipment	(2,078,535)	(288,233)
Purchases of investments	(21,526,020)	(2,251,411)
Proceeds from the maturity and sale of investments	21,118,628	2,448,103
Net cash (used for) investing activities	(2,485,927)	(91,541)
CASH FLOWS PROVIDED BY (USED FOR) FINANCING ACTIVITIES:		
Principal payments made on financing leases	(9,843)	(12,575)
Net cash (used for) financing activities	(9,843)	(12,575)
Net increase (decrease) in cash and cash equivalents	1,306,384	(137,012)
Cash and cash equivalents at beginning of year	4,064,173	4,201,185
Cash and cash equivalents at end of year	$ 5,370,557	$ 4,064,173

(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 two animal shelters, 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 Accounting and Financial Reporting Framework

The financial statements of the LASPCA have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities in accordance with accounting principles generally accepted in the United States of America promulgated by the Financial Accounting Standards Board (FASB).

The financial statement presentation follows the recommendations of the 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 without donor restrictions - Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of LASPCA. These net assets may be used at the discretion of the LASPCA's management and the board of directors. The revenues received in conducting the mission of LASPCA are included in this category.

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

Basis of Accounting and Financial Reporting Framework (continued)

Net assets with donor restrictions - Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of LASPCA or by the passage of time. Other donor restrictions are perpetual in nature, whereby, the donor has stipulated the funds be maintained in perpetuity.

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 credit losses based on an assessment of the receivables. For the years ended December 31, 2023 and 2022, management has determined that no allowance was necessary and the use of the direct write off method would not have a significant impact on the financial statements.

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.

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

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.

Investments

Investments are stated at fair value. There are no donor-restricted investments at December 31, 2023 and 2022. 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 2023 and 2022. 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 2023 or 2022. 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 2023 or 2022.

LASPCA’s measurements of fair value are made on a recurring basis, and their valuation techniques (no changes in 2023 or 2022) 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.

(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 2023 or 2022.

Property and Equipment and Depreciation

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, 2023 and 2022 was $734,850 and $757,892, respectively.

Leases

The LASPCA applies judgment in determining whether a contract contains a lease and whether a lease is classified as an operating lease or a finance lease. The LASPCA determines the lease term as the non-cancellable term of the lease, which may include options to extend or terminate the lease when it is reasonably certain that the LASPCA will exercise that option. The lease term is used in determining classification between operating lease and finance lease, calculating the lease liability and determining the incremental borrowing rate.

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

Leases (continued)

For lease contracts that include extension and termination options, the LASPCA applies judgment in evaluating whether it is reasonably certain to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date of the lease, the LASPCA reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate.

The LASPCA is required to discount lease payments using the rate implicit in the lease if that rate is readily available. If that rate cannot be readily determined, the lessee is required to use its incremental borrowing rate. The LASPCA generally uses the incremental borrowing rate when initially recording real estate leases. Information from the lessor regarding the fair value of underlying assets and initial direct costs incurred by the lessor related to the leased assets is not available.

The LASPCA determines the incremental borrowing rate of each lease by estimating the credit rating of the LASPCA at the time the lease is recognized, referencing market yields corresponding to the credit rating and weighted average life of the lease, and factoring in other lease-specific factors such as assumed collateral.

Leases with an initial term of 12 months or less are not recorded on the balance sheet. Lease expense is recognized for these leases on a straight-line basis over the lease term.

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, 2023 and 2022 were $28,158 and $38,321, 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 $11,765,641 and $9,453,068 from net assets without donor restrictions to serve as an endowment fund as of December 31, 2023 and 2022, respectively.

(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.

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

Revenue Recognition (Continued)

Special Events

The LASPCA receives revenues from special events. 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 2023 or 2022. Management also believes that all tax positions would be sustained if audited. There were no penalties or interest on income tax positions incurred in 2023 or 2022, 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, 2020 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, 2023 and 2022 totaled $23,704 and $7,107, respectively.

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

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 May 25, 2024, which is the date the financial statements were available to be issued.

New Accounting Standards - Adopted

The Company has adopted the Current Expected Credit Losses (CECL) accounting standard, as per Accounting Standards Update (ASU) No. 2016-13, "*Financial Instruments – Credit Losses (Topic 326)*." The standard introduces a new model for estimating credit losses on financial instruments. After a thorough evaluation, management has determined that the impact of adopting the CECL standard on the financial statements is immaterial. The Company has considered factors such as historical loss experience, current economic conditions, and other relevant factors in its credit loss estimation process.

As a result, the adoption of the CECL standard has not had a material impact on the Company's financial position, results of operations, or cash flows. The Company will continue to monitor developments related to the CECL standard and will provide updates as necessary in future financial statement disclosures.

(2) LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects the LASPCA's financial assets as of December 31, 2023 and 2022, 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.

(2) LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS (CONTINUED)

	2023	2022
Financial assets, at year end	$ 19,491,630	$ 16,699,906
Less those unavailable for general expenditure within one year due to:		
Time restricted assets held by others (Note 4)	(1,625,325)	(1,625,325)
Board designated endowment fund	(11,223,670)	(8,906,111)
Financial assets available to meet cash needs for general expenditures within one year	$ 6,642,635	$ 6,168,470

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.

(3) INVESTMENTS

Investments consist of the following as of December 31:

	2023	Hierarchy
Money market mutual funds	$ 1,506,260	Level 1
Exchange traded funds	1,504	Level 1
Common trust funds	3,902,214	NAV
Mutual funds	6,355,876	Level 1
Total investments	$ 11,765,854	

	2022	Hierarchy
Cash and money fund accounts	$ 1,038,793	Level 1
Fixed income	2,901,833	Level 1
Equities	12,381	Level 1
Mutual funds	6,550,843	Level 1
Total investments	$ 10,503,850	

(3) INVESTMENTS (CONTINUED)

Investments held in common trust funds are valued at fair value based on the net asset value ("NAV") of units held of the collective fund. The NAV is based on the observable market prices of the underlying investments within the fund less liabilities. The NAV for the underlying assets of the fund is a readily determinable measure of their fair value and is the basis used by the fund for current transactions. The common trust funds indirectly invest in a mix of U.S. and international common stocks and fixed income securities through holdings in various mutual funds. There are currently no redemption restrictions or unfunded commitments on these investments.

The following schedule summarizes the investment return, including beneficial interest in designated funds activity (Note 4), and its classification in the consolidated statement of activities for the years ended December 31:

	2023	2022
Interest and dividend income	$ 522,572	$ 446,370
Realized and unrealized gains/(losses)	967,428	(2,813,630)
Investment management fees	(78,377)	(41,302)
Total investment income/(loss)	$ 1,411,623	$ (2,408,562)

(4) BENEFICIAL INTEREST IN DESIGNATED FUNDS

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.

On December 30, 2022, LASPCA was bequeathed a designated fund held with the Hancock Whitney trust department and managed by the Jewish Endowment Foundation of Louisiana (JEF). The JEF will pay LASPCA the income generated by the fund at the end of each calendar year prior to April 1st of the following year, commencing in 2024. The LASPCA has recorded the donation as a restricted bequest of investments held by others at the fair value of the assets held by the JEF of $1,625,325 in the year ended December 31, 2022. The value of assets held in the fund was $1,738,141 and $1,625,325 as of December 31, 2023 and 2022, respectively. The LASPCA cannot withdraw the principal held in the fund until December 30, 2042, and therefore, the principal corpus of the gift is considered restricted as of December 31, 2023 and 2022.

(4) BENEFICIAL INTEREST IN DESIGNATED FUNDS (CONTINUED)

The beneficial interest in assets held at the JEF has been valued, as a practical expedient, at the fair value of the LASPCA's share of the JEF's investment as of the measurement date. This places the investments within level 3 of the fair value hierarchy as it relies on significant unobservable inputs. The JEF values securities and other financial instruments on a fair value basis of accounting. The estimated fair values of certain investments of the JEF, which includes private placements and other securities for which prices are not readily available, are determined by the management of the JEF and may not reflect amounts that could be realized upon immediate sale, nor amounts that ultimately may be realized. Accordingly, the estimated fair values may differ significantly from the values that would have been used had a ready market existed for these investments. There were no purchases or transfers into level 3 for the years presented.

(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.

At December 31, 2023 and 2022, the endowment is composed of designated net assets of $11,765,641 and $9,453,068, respectively.

(5) ENDOWMENT FUND (CONTINUED)

Changes in board designated endowment funds without donor restrictions for the years ended December 31, 2023 and 2022 consists of the following:

	2023	2022
Beginning of year	$ 9,453,068	$ 12,474,071
Interest and dividend income, net	390,083	418,558
Net realized and unrealized gain (loss)	860,112	(2,807,568)
Contributions to the endowment fund	1,600,000	-
Distribution from board designated endowment pursuant to distribution policy	(537,622)	(590,691)
End of year	$ 11,765,641	$ 9,453,068

(6) BANK LINE OF CREDIT

LASPCA entered into a $400,000 working capital line of credit agreement from Gulf Coast Bank and Trust Company. The line matures on August 31, 2024 and is secured by deposit accounts. Terms of repayment called for monthly payments of interest at the greater of the prime lending rate plus .25 percentage points or 8.5% (8.75% at December 31, 2023). The LASPCA had no amounts outstanding on this line of credit as of December 31, 2023. LASPCA did not have a line of credit and there was no outstanding debt under lines of credit for the year ended December 31, 2022.

(7) NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at December 31, 2023 and 2022 were available for the following purposes:

	2023	2022
Animal adoptions	$ 81,169	$ 187,986
Animal cruelty programs	-	6,083
Capital improvements	2,634,131	-
Disaster response programs	286,779	438,109
Education programs	70,120	103,212
Equipment	34,358	190,107
Feral cat programs	183,469	5,061
Foster care programs	300,629	18,519
Heartworm treatment	27,377	668
Plaquemines activities	-	6,293
Spay/neuter programs	93,311	121,524
Training programs	-	4,717
Transportation programs	14,463	-
Time restricted investments held by others (Note 4)	1,625,325	1,625,325
Other - various	-	18,175
Total net assets with donor restrictions	$ 5,351,131	$ 2,725,779

(7) NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

Included in "other" are individual temporarily restricted items ranging from approximately $100 to $12,000 at December 31, 2022.

(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 $762,899 and $804,969 in 2023 and 2022, respectively.

(9) CONTRACT REVENUES

LASPCA contracts with the City of New Orleans through a cooperative endeavor agreement (CEA) to operate an animal shelter and provide animal control services. The current CEA ends on December 31, 2027, and provided for an annual aggregate payment cap of $2,361,792. The CEA was amended during 2023 to increase the maximum payment for 2023 to $2,831,792 and stipulate that the maximum payment for the remaining years in the contract would be determined based on the City of New Orleans' annual budget appropriations. Under the terms of the agreements, the LASPCA received $2,861,792 and $2,361,792 for the years ended December 31, 2023 and 2022, 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.

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. Under the terms of the agreements, the LASPCA receives the use of an animal shelter and 12 equal payments of $30,833. During 2023, the LASPAC also received a budget overage of $236,871 and negotiated for future monthly payments to be $53,333 beginning in 2024. The value of the use of the animal shelter could not be reasonably estimated and has not been recognized in the financial statements. For the years ended December 31, 2023 and 2022, the LASPCA recognized $606,871 and $370,000 of contract revenues in connection with this agreement, respectively. 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) 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 2023 and 2022 were $56,070 and $47,798, respectively.

(11) CONCENTRATIONS

LASPCA received 21% and 35% of its total revenue from its animal control contract with the City of New Orleans for the years ended December 31, 2023 and 2022, respectively. Additionally, 90% LASPCA's outstanding receivables were due from the City of New Orleans and Plaquemines Parish at December 31, 2023 and 2022. During December 31, 2023 and 2022, the LASPCA received 20% and 24% of its total revenue from one large bequest made in each year.

LASPCA maintained cash accounts at local financial institutions during 2023 and 2022. The Federal Deposit Insurance Corporation (FDIC) provides insurance coverage under defined limits. Cash balances at financial institutions at December 31, 2023 and 2022 in excess of insured amounts were $3,306,895 and $2,259,146, respectively.

LASPCA held investments with three financial institutions during 2023 and 2022. The Securities Investor Protection Corporation (SIPC) provides insurance coverage under defined limits. Investment balances at the financial institutions at December 31, 2023 and 2022 in excess of insured amounts were $11,765,641 and $9,468,067, respectively. As of December 31, 2023, the funds held in the LASPCA's endowment fund were not insured under SIPC or FDIC.

(12) COMMITMENTS

Financing Leases

The LASPCA leases equipment under non-cancelable financing leases. During 2023 and 2022, the LASPCA had a lease agreement for copiers requiring payments of $862 per month for a period of 60 months.

As of December 31, 2023 and 2022, the LASPCA's total right-of-use assets had a cost basis of $50,563 and accumulated amortization of $27,810 and $17,697, respectively. Current year amortization of right of use assets for the years ended December 31, 2023 and 2022 was $10,113, which is included in depreciation expense on each respective statement of activities. At December 31, 2023 and 2022, the current portion of lease liabilities amounted to $10,044 and $10,134 and the non-current portion amounted to $12,428 and $22,181, respectively. The following summarizes lease expense for the years ended December 31:

	2023	2022
Financing lease expense	$ 10,346	$ 12,575
Interest expense	211	119
Total lease costs	$ 10,557	$ 12,694

(12) COMMITMENTS (CONTINUED)

Financing Leases (Continued)

The following summarizes the weighted average remaining lease term and discount rate as of December 31:

	2023	2022
Weighted Average Remaining Lease Term	27 months	34 months
Weighted Average Discount Rate	.90%	.90%

The maturities of lease liabilities as of December 31, 2023 were as follows:

2024	$ 10,346
2025	10,346
2026	2,586
Less: interest	(806)
Present value of lease liabilities	$ 22,472

Operating Leases

LASPCA 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, 2023 and 2022 totaled $25,328 and $33,655, respectively.

(13) RECLASSIFICATIONS

The 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.