

THE SOUTHAMPTON ANIMAL SHELTER FOUNDATION INC.

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**

**AS OF AND FOR THE YEAR
ENDED DECEMBER 31, 2016**

THE SOUTHAMPTON ANIMAL SHELTER FOUNDATION INC.
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2016

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Independent Auditors' Report

To the Board of Directors of
The Southampton Animal Shelter Foundation Inc.
Southampton, New York

Report on the Financial Statements

We have audited the accompanying financial statements of The Southampton Animal Shelter Foundation Inc. (a nonprofit organization) (the "Foundation"), which comprise the statement of financial position as of December 31, 2016, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

The Foundation's management is responsible for the preparation and fair presentation of the 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Southampton Animal Shelter Foundation Inc. as of December 31, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Nussbaum Yates Berg Klein & Wolpow, LLP

Melville, New York
March 23, 2017



THE SOUTHAMPTON ANIMAL SHELTER FOUNDATION INC.

STATEMENT OF FINANCIAL POSITION

AS OF DECEMBER 31, 2016

ASSETS

Assets:	
Cash	\$ 1,875,508
Contribution receivable	255,000
Prepaid expenses	23,065
Property and equipment, net	273,019
Deposits	<u>29,600</u>
Total assets	<u>\$ 2,456,192</u>

LIABILITIES AND NET ASSETS

Liabilities, accrued expenses	<u>\$ 103,959</u>
Net assets:	
Unrestricted	2,348,733
Temporarily restricted	<u>3,500</u>
Total net assets	<u>2,352,233</u>
Total liabilities and net assets	<u>\$ 2,456,192</u>

See notes to financial statements.

THE SOUTHAMPTON ANIMAL SHELTER FOUNDATION INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues and other support:			
Contributions	\$ 2,565,189	\$ -	\$ 2,565,189
Fundraising events	\$ 707,641		
Direct fundraising costs	<u>(162,238)</u>	-	545,403
Grants	21,500	3,500	25,000
Shelter services	127,718	-	127,718
Veterinary clinic	354,731	-	354,731
Community outreach	600	-	600
Thrift shop sales	135,907	-	135,907
Interest and other	<u>7,302</u>	<u>-</u>	<u>7,302</u>
 Total revenues and other support	 <u>3,758,350</u>	 <u>3,500</u>	 <u>3,761,850</u>
Expenses:			
Program services:			
Shelter services	1,177,984	-	1,177,984
Veterinary clinic	534,076	-	534,076
Community outreach	<u>154,835</u>	<u>-</u>	<u>154,835</u>
 Total program services	 <u>1,866,895</u>	 <u>-</u>	 <u>1,866,895</u>
Supporting services:			
Management and general services	271,013	-	271,013
Fundraising activities	69,098	-	69,098
Thrift shop	<u>139,723</u>	<u>-</u>	<u>139,723</u>
 Total supporting services	 <u>479,834</u>	 <u>-</u>	 <u>479,834</u>
 Total expenses	 <u>2,346,729</u>	 <u>-</u>	 <u>2,346,729</u>
 Increase in net assets	 1,411,621	 3,500	 1,415,121
Net assets, beginning of year	<u>937,112</u>	<u>-</u>	<u>937,112</u>
Net assets, end of year	<u>\$ 2,348,733</u>	<u>\$ 3,500</u>	<u>\$ 2,352,233</u>

See notes to financial statements.

THE SOUTHAMPTON ANIMAL SHELTER FOUNDATION INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2016

	Program Services				Supporting Services				Total Expenses
	Shelter Services	Veterinary Clinic	Community Outreach	Total Program Services	Management and General Services	Fundraising Activities	Thrift Shop	Total Supporting Services	
Salaries	\$ 723,872	\$ 277,336	\$ 102,547	\$ 1,103,755	\$ 129,027	\$ 35,993	\$ 71,870	\$ 236,890	\$ 1,340,645
Payroll taxes	64,844	24,844	9,186	98,874	11,558	3,224	7,161	21,943	120,817
Employee benefits	69,824	14,574	9,765	94,163	1,410	492	3,405	5,307	99,470
Total salaries and related expenses	858,540	316,754	121,498	1,296,792	141,995	39,709	82,436	264,140	1,560,932
Pet supplies and medicine	78,957	95,869	1,596	176,422	-	-	-	-	176,422
Occupancy, utilities and storage	43,629	8,982	6,545	59,156	1,098	266	42,274	43,638	102,794
Insurance	53,253	17,911	8,230	79,394	15,300	1,775	3,278	20,353	99,747
Office and miscellaneous expenses	37,921	15,146	4,139	57,206	14,998	4,212	8,390	27,600	84,806
Professional fees	-	-	-	-	82,069	-	-	82,069	82,069
Cleaning and maintenance	40,764	8,649	5,681	55,094	1,442	405	1,256	3,103	58,197
Depreciation and amortization	16,882	28,339	952	46,173	2,139	439	-	2,578	48,751
Outside services	25,280	6,413	2,437	34,130	7,504	809	1,972	10,285	44,415
Advertising	17,960	4,808	2,885	25,653	-	8,261	-	8,261	33,914
Veterinary and hospital costs	-	26,527	-	26,527	-	-	-	-	26,527
Postage and printing expense	-	-	-	-	3,932	12,795	-	16,727	16,727
Travel and auto	1,232	3,744	530	5,506	212	318	117	647	6,153
Uniforms	3,566	934	342	4,842	324	109	-	433	5,275
Total expenses	\$ 1,177,984	\$ 534,076	\$ 154,835	\$ 1,866,895	\$ 271,013	\$ 69,098	\$ 139,723	\$ 479,834	\$ 2,346,729

See notes to financial statements.

THE SOUTHAMPTON ANIMAL SHELTER FOUNDATION INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2016

Operating activities:	
Increase in net assets	\$ 1,415,121
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	48,751
Changes in operating assets and liabilities:	
Contribution receivable	(255,000)
Prepaid expenses	(2,947)
Accrued expenses	<u>56,361</u>
Net cash provided by operating activities	1,262,286
Investing activities, purchase of property and equipment	<u>(163,468)</u>
Net increase in cash	1,098,818
Cash, beginning of year	<u>776,690</u>
Cash, end of year	<u>\$ 1,875,508</u>

See notes to financial statements.

THE SOUTHAMPTON ANIMAL SHELTER FOUNDATION INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

1. Nature of Organization and Summary of Significant Accounting Policies

Nature of Organization

The Southampton Animal Shelter Foundation Inc., (the "Foundation") is a not-for-profit 501(c)(3) Corporation whose primary purpose is to provide for the welfare of animals and reduce the number of homeless pets in New York. The Foundation conducts fundraising events to raise funds for this purpose. The Foundation was formed in October 2009 to take over operations of the Southampton Animal Shelter, formerly run by the Town of Southampton (the "Town").

Basis of Accounting

The financial statements of the Foundation are prepared on the accrual method of accounting.

Contributions Receivable

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

Fair Value of Financial Instruments

The carrying amount of the Foundation's financial instruments, including cash and accrued expenses approximate fair value due to the short-term nature of these items. The contribution receivable is recorded at fair value as the present value of its estimated future cash flows very closely approximates fair value.

Volunteers and Donated Services

Several volunteers have donated their time and services to the Foundation's activities and fundraising efforts. No amounts have been reflected in the financial statements as such services do not meet the criteria for recognition.

Income Taxes

The Foundation qualifies as a tax exempt not-for-profit organization under Section 501(c)(3) of the Internal Revenue Code and as a not-for-profit corporation under the laws of New York State. Accordingly, no provision for federal or state income taxes is required. The Internal Revenue Service has determined that the Foundation is a qualified charitable organization to which contributions are eligible for deduction by individual donors as described under Section 170 of the Internal Revenue Code. The Foundation has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements. The Foundation is currently open to audit under the statute of limitations by the federal and state jurisdictions for the years subsequent to 2012.

THE SOUTHAMPTON ANIMAL SHELTER FOUNDATION INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2016

1. **Nature of Organization and Summary of Significant Accounting Policies (Continued)**

Advertising and Promotional Expenses

Advertising and promotional costs are expensed as incurred and totaled \$33,914 for the year ended December 31, 2016.

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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue Recognition

The Foundation recognizes revenue from shelter operations in the period services are provided to customers. The Foundation recognizes revenue from fundraising events and other contributions in the period amounts are received or promised, net of any allowance for uncollectible amounts. Contributions and grants are considered to be unrestricted unless specifically restricted by the donor. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets.

Concentrations

At times, cash balances may be in excess of the Federal Deposit Insurance Corporation (FDIC) insurance limit.

Net Assets

All of the assets of the Foundation as of and for the year ended December 31, 2016 are unrestricted, with the exception of a temporarily restricted asset in the amount of \$3,500. The temporarily restricted grant will remain until used for the sole purpose of hiring a consultant to help develop a financial strategic plan for the Foundation.

Functional Allocation of Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program and supporting services benefitted.

THE SOUTHAMPTON ANIMAL SHELTER FOUNDATION INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2016

1. **Nature of Organization and Summary of Significant Accounting Policies (Continued)**

Recent Accounting Pronouncements

In August 2016, the FASB issued ASU 2016-14 *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, which decreases the number of net assets classes from three to two. The new classes will be *net assets with donor restrictions* and *net assets without donor restrictions*. In addition, not-for-profits will be required to provide, in the notes, qualitative information on how it manages its liquid available resources and liquidity risks. The effective date of this pronouncement is for annual financial statements issued for fiscal years beginning after December 15, 2017, and for interim periods within fiscal years beginning after December 15, 2018. Application to interim financial statements is permitted but not required in the initial year of application, and early application of the standard is permitted.

Subsequent Events

The Foundation has evaluated subsequent events for recognition or disclosure through the date these financial statements were available to be issued, March 23, 2017.

2. **Economic Dependence and Contributions**

Since its inception, the Foundation has relied on, and has been economically dependent on two major related donors for a significant portion of its cash flow requirements. During 2016, the chairwoman and two affiliated entities of the chairwoman donated \$1,448,854 to the Foundation.

3. **Property and Equipment, net**

The Foundation's property and equipment are being depreciated over each assets remaining useful life. The Foundation's leasehold improvements are being amortized over the remaining life of the lease. Property and equipment, net consisted of the following at December 31, 2016:

Furniture & fixtures	\$ 22,060
Computer equipment and software	59,563
Vehicles	160,463
Medical equipment	14,210
Leasehold improvements	<u>248,159</u>
	504,455
Less: Accumulated depreciation and amortization	<u>(231,436)</u>
Property and equipment, net	<u>\$ 273,019</u>

THE SOUTHAMPTON ANIMAL SHELTER FOUNDATION INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2016

4. Contributed Goods and Services

In 2016, the Foundation received contributed goods and services related to auction packages offered in connection with fundraising events. Such contributed goods and services were included in revenue for the year ended December 31, 2016 based on the amounts received from the proceeds of the auctions. The chairwoman paid for certain costs that are ordinary and necessary to the operation of the Foundation including personnel expenses and professional fees, which aggregated to approximately \$12,726 in 2016. This amount is included in contribution revenue for the year ended December 31, 2016.

5. Commitments and Contingencies

Operating Lease

The Foundation has an operating lease agreement through December 31, 2018 for thrift shop space. The rental obligation for 2017 and 2018 is \$28,800 plus real estate taxes and insurance. Rent expense for 2016 for the thrift shop was \$28,800 plus \$4,860 for real estate taxes and insurance.

6. Agreement Between the Foundation and the Town of Southampton

The Foundation's agreement with the Town for the operation of the animal shelter, is in effect through December 31, 2020. The Foundation is not required to pay rent to the Town during the term of the agreement, and the Foundation has not determined or recorded the fair value of the rent. Under the agreement, the Town is responsible for all necessary structural repairs and maintenance and repair of the shelter's exterior and grounds.

The Town is also responsible for maintaining various service contracts for the facility and the Town shall pay for electric and gas service as needed during the term of the agreement. For the year ended December 31, 2016, the Town paid \$57,628, for such electric and gas service. Additionally, the Town shall pay the Foundation \$33,600 per year for the boarding of stray animals delivered to the shelter by the Town. The Town has agreed to contribute to the Foundation the sum of \$200,000 for 2017; \$225,000 for 2018; \$250,000 for 2019 and 2020 in order to assist the Foundation in discharging its responsibilities under the agreement. During 2016, the Town contributed \$175,000 to assist the Foundation in discharging its responsibilities. The Foundation has recorded all such contributions by the Town as contribution revenue in the accompanying financial statements. The Foundation is required to maintain a deposit of \$25,000 with the Town.