

**LITTLE SHELTER ANIMAL ADOPTION
CENTER INC.**

AUDITED FINANCIAL STATEMENTS

For the year ended December 31, 2017

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Kalmus, Siegel, Harris & Goldfarb, LLP

Certified Public Accountants

A Partnership Including Professional Corporations

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Little Shelter Animal Adoption Center, Inc.
Huntington, New York 11743

Report of the Financial Statements

We have audited the accompanying financial statements of Little Shelter Animal Adoption Center, Inc. (a New York not-for-profit corporation) (the Organization), which comprise the statement of financial position as of December 31, 2017 and the related statements of activities and changes in net assets, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Little Shelter Animal Adoption Center, Inc. as of December 31, 2017, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Kalmus, Siegel, Harris & Goldfarb, LLP

Kalmus, Siegel, Harris & Goldfarb, LLP

October 22, 2018

LITTLE SHELTER ANIMAL ADOPTION CENTER INC.
STATEMENT OF FINANCIAL POSITION

December 31, 2017

ASSETS

CURRENT ASSETS

Cash and cash equivalents - unrestricted	\$ 1,136,110
Investments	1,187,737
Employee loans	1,250
Prepaid expenses and other receivables	39,253
	<u>2,364,350</u>

LONG-TERM INVESTMENTS

25,000

LAND, BUILDINGS AND EQUIPMENT (NET)

535,001

TOTAL ASSETS

\$ 2,924,351

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts and accrued expenses payable	\$ 300,612
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NET ASSETS

Unrestricted	2,623,739
Temporarily restricted	-
	<u>2,623,739</u>

TOTAL LIABILITIES AND NET ASSETS

\$ 2,924,351

The accompanying notes are an integral part of these financial statements.

LITTLE SHELTER ANIMAL ADOPTION CENTER INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For the year ended December 31, 2017

	<u>Total</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>
REVENUES AND OTHER SUPPORT:			
Support from the public:			
Contributions	\$ 2,332,479	\$ 2,332,479	\$ -
Bequests	297,087	297,087	-
Grants from organizations	56,050	27,700	28,350
Program service fees	119,950	119,950	-
Special event activities, net of direct expenses	108,296	108,296	-
Total support from the public	<u>2,913,862</u>	<u>2,885,512</u>	<u>28,350</u>
Investment income:			
Interest income	27,432	27,432	-
Dividend income	10,170	10,170	-
Total investment income	<u>37,602</u>	<u>37,602</u>	<u>-</u>
Other income:			
Miscellaneous income	2,459	2,459	-
	<u>2,459</u>	<u>2,459</u>	<u>-</u>
TOTAL REVENUES AND OTHER SUPPORT	2,953,923	2,925,573	28,350
PROGRAM AND SUPPORTING SERVICES EXPENSES:			
Program services:			
Little Shelter Animal Adoption Center	1,947,394	1,947,394	-
Animal Welfare Education	616,380	616,380	-
Feral Cat Program	35,244	35,244	-
Dog Sanctuary	68,338	68,338	-
Total program services	<u>2,667,356</u>	<u>2,667,356</u>	<u>-</u>
Supporting services:			
Fund raising	462,229	462,229	-
Management and general	102,776	102,776	-
Total supporting services	<u>565,005</u>	<u>565,005</u>	<u>-</u>
TOTAL PROGRAM & SUPPORTING SERVICES EXPENSES	<u>3,232,361</u>	<u>3,232,361</u>	<u>-</u>
CHANGE IN NET ASSETS FROM OPERATIONS	(278,438)	(306,788)	28,350
NET REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS	105,797	105,797	-
NET ASSETS, BEGINNING OF YEAR	2,796,380	2,796,380	-
NET ASSETS RELEASED FROM RESTRICTIONS	<u>-</u>	<u>28,350</u>	<u>(28,350)</u>
NET ASSETS, END OF YEAR	<u>\$ 2,623,739</u>	<u>\$ 2,623,739</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

LITTLE SHELTER ANIMAL ADOPTION CENTER INC.

STATEMENT OF CASH FLOWS

For the year ended December 31, 2017

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ (278,438)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Net realized and unrealized gain (loss) on investments	105,797
Depreciation	20,738
(Increase) Decrease in current assets	
Prepaid expenses and other receivables	8,892
Other assets	71,691
Employee loans	750
Increase (Decrease) in current liabilities	
Accounts and accrued expenses payable	(41,289)
NET CASH USED BY OPERATING ACTIVITIES	<u>(111,859)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of new assets	(92,540)
Investments in marketable securities (net)	(133,661)
Return of capital dividends on investments	851
NET CASH USED BY INVESTING ACTIVITIES	<u>(225,350)</u>

NET DECREASE IN CASH & CASH EQUIVALENTS (337,209)

BEGINNING CASH & CASH EQUIVALENTS 1,473,519

ENDING CASH & CASH EQUIVALENTS \$ 1,136,310

Supplemental disclosures for cash flow information:

Cash paid during the year for:

Interest	\$ -
Income taxes	\$ -

The accompanying notes are an integral part of these financial statements.

LITTLE SHELTER ANIMAL ADOPTION CENTER INC.

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended December 31, 2017

	<u>Total</u>	<u>Program Services</u>	<u>Management & General</u>	<u>Fund Raising</u>
Salaries	\$ 1,196,078	\$ 1,186,662	\$ 9,416	\$ -
Payroll Taxes	102,585	101,847	738	-
Total Salaries and Related Expenses	<u>1,298,663</u>	<u>1,288,509</u>	<u>10,154</u>	<u>-</u>
Professional fund raising fees	73,000	-	-	73,000
Advertising	11,816	5,903	3,426	2,487
Bank and credit card fees	21,533	-	2,131	19,402
Rubbish removal & janitorial	9,769	9,769	-	-
Depreciation expense	20,738	20,518	220	-
Educational materials and mailings	616,380	616,380	-	-
Insurance	44,305	42,105	2,200	-
Employee health benefits	78,182	77,181	1,001	-
Shelter supplies and expenses	96,760	96,760	-	-
Licenses, dues, subscriptions, & registrations	6,565	1,372	1,440	3,753
Printing and mailing expenses	248,367	-	-	248,367
Medical-Veterinarian	305,478	305,478	-	-
Office and miscellaneous expenses	15,052	1,597	4,848	8,607
Computer expenses	25,003	-	25,003	-
Repairs and maintenance	23,101	23,101	-	-
Payroll service fees	12,899	12,899	-	-
Postage	10,227	-	4,400	5,827
Telephone	5,485	2,743	1,371	1,371
Utilities	27,909	27,909	-	-
Legal and professional fees	8,945	-	5,800	3,145
Feral cat expenses	35,244	35,244	-	-
Passage to Freedom Program	27,566	27,566	-	-
Volunteer program services	6,235	3,984	2,251	-
Fulfillment services	87,770	-	-	87,770
Bookkeeping expenses	37,570	-	37,570	-
Dog sanctuary	69,149	68,338	811	-
Sweepstakes winners	8,500	-	-	8,500
Charitable contribution	150	-	150	-
	<u>\$ 3,232,361</u>	<u>\$ 2,667,356</u>	<u>\$ 102,776</u>	<u>\$ 462,229</u>

The accompanying notes are an integral part of these financial statements.

LITTLE SHELTER ANIMAL ADOPTION CENTER INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 1 – ORGANIZATION AND TAX STATUS

Little Shelter Animal Adoption Center Inc. (“the Shelter”) (www.littleshelter.com) is a non-profit; no kill animal shelter located on six wooded acres in Huntington, New York. It was organized under the name of Huntington Dog Club Inc. in New York in 1929 as a nonprofit corporation for the purpose of sheltering stray, abused and abandoned animals. In January 2000 the corporation legally changed its name.

Services provided include food, shelter, medical care and finding homes for the animals. The Shelter is located on property owned by Little Shelter Animal Adoption Center Inc. Little Shelter is also one of the shelters outside New York City that is part of the Mayor’s Alliance for NYC animals.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The financial statements of Little Shelter Animal Adoption Center Inc. have been prepared on the accrual basis of accounting. Contributions are recorded when received unless susceptible to accrual.

BASIS OF PRESENTATION

The Shelter has adopted (FASB ASC 958, formerly SFAS117), Financial Statements of Not-For-Profit-Shelters. Under FASB ASC 958, the Shelter is required to report information regarding its financial position and activities according to three classes of net assets; unrestricted net assets, temporarily restricted assets and permanently restricted net assets. The Shelter has no permanently restricted net assets.

Unrestricted net assets represent the part of net assets that are neither permanently restricted nor temporarily restricted by donor imposed time or purpose stipulations.

NET ASSET CATEGORIES

Unrestricted net assets – represents resources available for use to support the Shelter’s core activities of sheltering stray, abused and abandoned animals over which the Board of Directors has discretionary control.

Temporarily restricted net assets – represents contributions that carry restrictions that expire upon the passage of a prescribed period or upon the occurrence of a stated event as specified by the donor. When such stipulations end or are fulfilled, such temporarily restricted net assets are reported in the statement of activities and changes in net assets as net assets released from restrictions.

Permanently restricted net assets - represents those resources subject to donor imposed stipulations that should be maintained intact in perpetuity.

INVESTMENTS

The Shelter reports its investments at fair value.

LITTLE SHELTER ANIMAL ADOPTION CENTER INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

INCOME TAXES

The Shelter is exempt from income taxes under Section 501 (c)(3) of the Internal Revenue Code and from New York State Income Taxes under Article 7-A of the Executive Law.

REVENUE RECOGNITION

Contributions are recorded based upon donor restrictions in the appropriate net asset category at the time the pledge is made. When the donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities and changes in net assets as net assets released from restrictions.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of demand deposits with financial institutions and highly liquid money market funds.

FAIR VALUE MEASUREMENTS

Fair value measurements are based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, a fair value hierarchy prioritizes observable and unobservable inputs used to measure fair value into three levels.

The fair value hierarchy defines three levels as follows:

Level 1: Valuations based on quoted prices (unadjusted) in an active market that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

Level 2: Valuations based on observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities, quoted prices in inactive markets, or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data.

Level 3: Valuations based on unobservable inputs are used when little or no market data is available. The fair value hierarchy gives lowest priority to Level 3 inputs.

LAND, BUILDINGS AND EQUIPMENT

Land, buildings and equipment are stated at cost less accumulated depreciation. Depreciation is computed on a straight-line basis over an estimated useful life ranging from 5 to 40 years. Maintenance and repairs are charged to expense as incurred. Major renewals and betterments that extend the useful lives of property and equipment are capitalized.

LITTLE SHELTER ANIMAL ADOPTION CENTER INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 22, 2018, the date the financial statements were available to be issued. Effective January 1, 2018, the Shelter began operating The Huntington Town cat shelter.

CONCENTRATIONS OF CREDIT RISK

The Shelter maintains its cash balances at several financial institutions. Accounts at each financial institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At December 31, 2017, \$358,166 was uninsured. To minimize risk cash accounts are placed with high quality financial institutions.

CONTRIBUTED SERVICES

The Shelter receives donated services from a variety of unpaid volunteers assisting the Shelter with various events and programs. No amounts have been recognized in the accompanying statement of activities because the criteria for recognition of such volunteer effort has not been satisfied under generally accepted accounting principles.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles 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.

NOTE 3 – INVESTMENTS

Investment income is comprised of the following:

Dividend and interest	\$	37,602
Realized gains on investments		63,084
Unrealized gains on investments		<u>42,713</u>
Net investment income	\$	<u>143,399</u>

In determining the fair value of its investments, the Shelter utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible as well as considers counterparty credit risk in its assessment of fair value (see Note 2 “Fair Value Measurements”)

Investments are carried at fair value at December 31, 2017 as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Equity securities	\$ 1,147,274	\$ -	\$ 1,147,274
Real estate investment trusts	<u>-</u>	<u>40,463</u>	<u>40,463</u>
Total	<u>\$ 1,147,274</u>	<u>\$ 40,463</u>	<u>\$ 1,187,737</u>

LITTLE SHELTER ANIMAL ADOPTION CENTER INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE 4 – LONG-TERM INVESTMENTS

The Shelter has a 6.14% ownership in a land development project in Lawndale, North Carolina. Due to the current real estate market conditions the management has reduced the carrying value to \$25,000 which it believes more accurately reflects the market value.

NOTE 5 – LAND, BUILDINGS AND EQUIPMENT

As of December 31, 2017 land, buildings and equipment consist of the following:

Land	\$ 98,521
Buildings & improvements	723,117
Van	59,489
Equipment	<u>141,114</u>
	1,022,241
Less: Accumulated Depreciation	<u>(487,240)</u>
	<u>\$ 535,001</u>

Depreciation expense was \$20,738 for the year ended December 31, 2017.

NOTE 6 – COMMITMENTS

The Shelter entered into an agreement with Interact Connect for the processing of its direct mail. The contract is effective through April 30, 2018. The Shelter has minimum obligations under the agreement as follows:

<u>Year</u>	<u>Amount</u>
2018	3,200

The Shelter has obligations under operating leases with initial terms in excess of one year. Minimum aggregate annual rentals for equipment at December 31, 2017 are approximately listed below:

<u>Year</u>	<u>Amount</u>
2018	1,488
2019	372

The Shelter entered into an agreement with Newport One as a direct mail consultant. The agreement requires minimum \$2,750 a month payments and is effective through March 31, 2018. In August 2017, a digital service fee of \$1,000 was added to the monthly fee which was approved at a meeting of the board.

The Shelter entered into an agreement with Aegis3 Fundraising Group Inc. as a direct mail consultant. The agreement is effective through December 31, 2019 at an annual fee of \$35,000.

LITTLE SHELTER ANIMAL ADOPTION CENTER INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 7 – TEMPORARILY RESTRICTED ASSETS

The Shelter received grants of \$28,350 in 2017 which were restricted to support various program services. All of the grant was used for their specific uses during 2017. At the beginning and the end of 2017 there were no funds classified as temporarily restricted.

NOTE 8 – ALLOCATION OF JOINT COSTS

The costs of providing the various programs, fund raising and other activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and fund raising activities benefited.

During 2017, the Shelter conducted program activities that also included requests for contributions. Those activities included direct mail campaigns. The costs of those activities included a total of \$786,490 of joint costs, which were not specifically identifiable to either the program component or the fund raising component of the activities. These joint costs were allocated \$589,868 to program activities and \$196,622 to fundraising.

NOTE 9 – DESCRIPTION OF PROGRAMS

The Shelter is dedicated to saving animals from kill shelters and providing education to the public to properly care for pets in their homes and communities. The Shelter hopes to end pet overpopulation and place animals in loving homes.

Dog Sanctuary – established as a lifetime care facility on 110 acres in Lisle, New York for those dogs who have been overlooked for adoption for behavioral or medical reasons. Provides a place where these animals can live their lives in comfort, with love and dignity.

Feral Cat Program – temporarily removes cats from their colonies, brings them to cooperating veterinarians for examination, vaccination and sterilization, and then returns these cats to their original location.

Animal Welfare Education – through informative mailings, addresses the problems that create overpopulation, the importance of spaying and neutering and pet responsibility. Have an active education program that goes into schools and shelters. Also participate in various community events and hosts many events at the Shelter.

Little Shelter Animal Adoption Center – majority of the animals have been rescued from kill shelters on Long Island and New York City. These animals then receive the highest quality medical care, are spay/neutered, socialized, rehabilitated and loved until adoption.