

**LITTLE SHELTER ANIMAL ADOPTION  
CENTER INC.**

AUDITED FINANCIAL STATEMENTS

For the year ended December 31, 2016

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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, 2016 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, 2016, 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 26, 2017

**LITTLE SHELTER ANIMAL ADOPTION CENTER INC.**  
**STATEMENT OF FINANCIAL POSITION**  
December 31, 2016

**ASSETS**

**CURRENT ASSETS**

Cash and cash equivalents - unrestricted	\$ 1,473,519
Investments	1,054,927
Employee loans	2,000
Prepaid expenses and other receivables	47,945
	<u>2,578,391</u>

LONG-TERM INVESTMENTS	25,000
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LAND, BUILDINGS AND EQUIPMENT (NET)	463,199
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OTHER ASSETS	<u>71,691</u>
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TOTAL ASSETS	<u><u>\$ 3,138,281</u></u>
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**LIABILITIES AND NET ASSETS**

**CURRENT LIABILITIES**

Accounts and accrued expenses payable	\$ 341,901
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**NET ASSETS**

Unrestricted	2,796,380
Temporarily restricted	-
	<u>2,796,380</u>

TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 3,138,281</u></u>
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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, 2016

	<u>Total</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>
<b>REVENUES AND OTHER SUPPORT:</b>			
Support from the public:			
Contributions	\$ 2,548,983	\$ 2,514,765	\$ 34,218
Bequests	384,684	384,684	-
Grants from organizations	43,132	35,632	7,500
Program service fees	130,885	130,885	-
Special event activities, net of direct expenses	104,491	104,491	-
Total support from the public	<u>3,212,175</u>	<u>3,170,457</u>	<u>41,718</u>
Investment income:			
Interest income	19,551	19,551	-
Dividend income	4,202	4,648	-
Total investment income	<u>24,199</u>	<u>24,199</u>	<u>-</u>
Other income:			
Miscellaneous income	1,065	1,065	-
	<u>1,065</u>	<u>1,065</u>	<u>-</u>
<b>TOTAL REVENUES AND OTHER SUPPORT</b>	<b>3,237,439</b>	<b>3,195,721</b>	<b>41,718</b>
<b>PROGRAM AND SUPPORTING SERVICES EXPENSES:</b>			
Program services:			
Little Shelter Animal Adoption Center	1,681,472	1,681,472	-
Animal Welfare Education	601,320	601,320	-
Feral Cat Program	25,479	25,479	-
Dog Sanctuary	34,482	34,482	-
Total program services	<u>2,342,753</u>	<u>2,342,753</u>	<u>-</u>
Supporting services:			
Fund raising	396,479	396,479	-
Management and general	122,398	122,398	-
Total supporting services	<u>518,877</u>	<u>518,877</u>	<u>-</u>
<b>TOTAL PROGRAM &amp; SUPPORTING SERVICES EXPENSES</b>	<b><u>2,861,630</u></b>	<b><u>2,861,630</u></b>	<b><u>-</u></b>
<b>CHANGE IN NET ASSETS FROM OPERATIONS</b>	<b>375,809</b>	<b>334,091</b>	<b>41,718</b>
<b>NET REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS</b>	<b>38,749</b>	<b>38,749</b>	
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>2,381,822</b>	<b>2,381,822</b>	<b>-</b>
<b>NET ASSETS RELEASED FROM RESTRICTIONS</b>	<b>-</b>	<b>41,718</b>	<b>(41,718)</b>
<b>NET ASSETS, END OF YEAR</b>	<b><u>\$ 2,796,380</u></b>	<b><u>\$ 2,796,380</u></b>	<b><u>\$ -</u></b>

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

**LITTLE SHELTER ANIMAL ADOPTION CENTER INC.**

**STATEMENT OF CASH FLOWS**

6For the year ended December 31, 2016

**CASH FLOWS FROM OPERATING ACTIVITIES**

Change in net assets	\$ 375,809
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Net realized and unrealized gain (loss) on investments	38,749
Depreciation	22,593
(Increase) Decrease in current assets	
Prepaid expenses and other receivables	10,332
Other assets	(16,655)
Employee loans	499
Increase (Decrease) in current liabilities	
Accounts and accrued expenses payable	151,188
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>582,515</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Investments in marketable securities (net)	(350,109)
Return of capital dividends on investments	501
<b>NET CASH USED BY INVESTING ACTIVITIES</b>	<u>(349,608)</u>

**NET INCREASE IN CASH & CASH EQUIVALENTS** 232,907

**BEGINNING CASH & CASH EQUIVALENTS** 1,240,612

**ENDING CASH & CASH EQUIVALENTS** \$ 1,473,519

**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, 2016

	<u>Total</u>	<u>Program Services</u>	<u>Management &amp; General</u>	<u>Fund Raising</u>
Salaries	\$ 1,012,484	\$ 1,003,557	\$ 8,927	\$ -
Payroll Taxes	91,543	90,837	706	-
Total Salaries and Related Expenses	<u>1,104,027</u>	<u>1,094,394</u>	<u>9,633</u>	<u>-</u>
Professional fund raising fees	70,250	-	-	70,250
Advertising	4,725	3,942	550	233
Bank and credit card fees	18,456	-	-	18,456
Rubbish removal & janitorial	9,817	9,817	-	-
Depreciation expense	22,593	22,249	344	-
Educational materials and mailings	601,320	601,320	-	-
Insurance	63,971	61,771	2,200	-
Employee health benefits	73,492	72,631	861	-
Shelter supplies and expenses	77,793	77,793	-	-
Licenses, dues, subscriptions, & registrations	9,723	1,168	3,206	5,349
Printing and mailing expenses	209,498	-	-	209,498
Medical-Veterinarian	249,655	249,655	-	-
Office and miscellaneous expenses	10,043	3,358	2,429	4,256
Computer expenses	24,133	-	24,133	-
Repairs and maintenance	29,355	29,355	-	-
Payroll service fees	12,109	12,109	-	-
Postage	8,348	-	5,013	3,335
Telephone	5,608	2,804	1,402	1,402
Utilities	28,007	28,007	-	-
Legal and professional fees	13,421	-	5,500	7,921
Feral cat expenses	25,479	25,479	-	-
Passage to Freedom Program	10,092	10,092	-	-
Property taxes	632	-	632	-
Volunteer program services	5,082	2,327	2,755	-
Fulfillment services	75,779	-	-	75,779
Bookkeeping expenses	29,322	-	29,322	-
Dog sanctuary	34,482	34,482	-	-
Charitable contribution	34,418	-	34,418	-
	<u>\$ 2,861,630</u>	<u>\$ 2,342,753</u>	<u>\$ 122,398</u>	<u>\$ 396,479</u>

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



**LITTLE SHELTER ANIMAL ADOPTION CENTER INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2016

**NOTE 1 – ORGANIZATION AND TAX STATUS**

Little Shelter Animal Adoption Center Inc. (“the Shelter”) ([www.littleshelter.com](http://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, 2016

**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, 2016

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

**SUBSEQUENT EVENTS**

Management has evaluated subsequent events through October 26, 2017, the date the financial statements were available to be issued.

**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, 2016, \$481,792 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	\$ 24,199
Realized gains on investments	16,106
Unrealized gains on investments	<u>22,643</u>
Net investment income	<u>\$ 62,948</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, 2016 as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Equity securities	\$ 1,015,459	\$ -	\$ 1,015,459
Real estate investment trusts	<u>-</u>	<u>39,468</u>	<u>39,468</u>
Total	<u>\$ 1,015,459</u>	<u>\$ 39,468</u>	<u>\$ 1,054,927</u>

**LITTLE SHELTER ANIMAL ADOPTION CENTER INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2016

**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, 2016 land, buildings and equipment consist of the following:

Land	\$ 98,521
Buildings & improvements	638,277
Van	59,489
Equipment	<u>133,414</u>
	929,701
Less: Accumulated Depreciation	<u>(466,502)</u>
	<u>\$ 463,199</u>

Depreciation expense was \$22,593 for the year ended December 31, 2016.

**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>
2017	9,600
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, 2016 are approximately listed below:

<u>Year</u>	<u>Amount</u>
2017	1,488
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.

**LITTLE SHELTER ANIMAL ADOPTION CENTER INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2016

**NOTE 7 – TEMPORARILY RESTRICTED ASSETS**

The Shelter received grants of \$7,500 in 2016 which were restricted to support the humane education programs for kids ages 6-14. All of the grant was used for their specific uses during 2016. At the beginning and the end of 2016 there were no funds classified as temporarily restricted.

The Shelter also received a donation of a residence in which there was a stipulation that certain funds upon sale be donated to The Heart of the Catskills Animal Sanctuary. This all took place during 2016.

**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 2016, 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 \$786,177 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 \$589,633 to program activities and \$196,544 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.