

THE SOUTHAMPTON ANIMAL SHELTER FOUNDATION INC.

STATEMENTS OF FINANCIAL POSITION

AS OF DECEMBER 31, 2021 AND 2020

ASSETS

	<u>2021</u>	<u>2020</u>
Assets:		
Cash, cash equivalents and restricted cash	\$ 6,891,125	\$ 6,857,433
Investments, at fair value	2,620,131	3,069,763
Other receivables	22,372	18,855
Prepaid expenses	41,346	14,165
Property and equipment, net	624,908	611,908
Deposits	<u>25,000</u>	<u>25,000</u>
Total assets	<u>\$ 10,224,882</u>	<u>\$ 10,597,124</u>

LIABILITIES AND NET ASSETS

Liabilities:		
Accounts payable and accrued expenses	\$ 102,950	\$ 93,142
Deferred revenue	<u>-</u>	<u>21,510</u>
Total liabilities	<u>102,950</u>	<u>114,652</u>
Net assets:		
Without donor restrictions	5,170,275	5,372,931
With donor restrictions	<u>4,951,657</u>	<u>5,109,541</u>
Total net assets	<u>10,121,932</u>	<u>10,482,472</u>
Total liabilities and net assets	<u>\$ 10,224,882</u>	<u>\$ 10,597,124</u>

See notes to financial statements.

THE SOUTHAMPTON ANIMAL SHELTER FOUNDATION INC.

STATEMENTS OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2021

	<u>Total</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>
Revenues and other support:			
Contributions	\$ 1,307,973	\$ 1,198,620	\$ 109,353
Bequests	10,969	-	10,969
Fundraising events	\$ 348,097		
Direct fundraising costs	<u>(309,934)</u>	38,163	23,598
Grants	30,910	16,510	14,400
Shelter services	139,703	139,703	-
Veterinary clinic	656,275	656,275	-
Community outreach	570	570	-
Investment income	714,965	714,965	-
Other	34,107	34,107	-
Net assets released from restrictions	<u>-</u>	<u>316,204</u>	<u>(316,204)</u>
Total revenues and other support	<u>2,933,635</u>	<u>3,091,519</u>	<u>(157,884)</u>
Expenses:			
Program services:			
Shelter services	1,610,378	1,610,378	-
Veterinary clinic	697,030	697,030	-
Community outreach	<u>96,141</u>	<u>96,141</u>	<u>-</u>
Total program services	<u>2,403,549</u>	<u>2,403,549</u>	<u>-</u>
Supporting services:			
Management and general services	637,709	637,709	-
Fundraising activities	<u>252,917</u>	<u>252,917</u>	<u>-</u>
Total supporting services	<u>890,626</u>	<u>890,626</u>	<u>-</u>
Total expenses	<u>3,294,175</u>	<u>3,294,175</u>	<u>-</u>
Decrease in net assets	(360,540)	(202,656)	(157,884)
Net assets, beginning of year	<u>10,482,472</u>	<u>5,372,931</u>	<u>5,109,541</u>
Net assets, end of year	<u>\$ 10,121,932</u>	<u>\$ 5,170,275</u>	<u>\$ 4,951,657</u>

See notes to financial statements.

THE SOUTHAMPTON ANIMAL SHELTER FOUNDATION INC.

STATEMENTS OF ACTIVITIES (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>Total</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>
Revenues and other support:			
Contributions	\$ 1,828,077	\$ 1,801,376	\$ 26,701
Bequests	348,956	1,000	347,956
Fundraising events	\$ 301,173		
Direct fundraising costs	<u>(8,755)</u>	292,418	-
Grants	18,000	18,000	-
Shelter services	138,087	138,087	-
Veterinary clinic	599,011	599,011	-
Community outreach	1,300	1,300	-
Investment income	427,378	427,378	-
Other	3,452	3,452	-
Net assets released from restrictions	<u>-</u>	<u>500,357</u>	<u>(500,357)</u>
Total revenues and other support	<u>3,656,679</u>	<u>3,782,379</u>	<u>(125,700)</u>
Expenses:			
Program services:			
Shelter services	1,227,657	1,227,657	-
Veterinary clinic	531,375	531,375	-
Community outreach	<u>73,291</u>	<u>73,291</u>	<u>-</u>
Total program services	<u>1,832,323</u>	<u>1,832,323</u>	<u>-</u>
Supporting services:			
Management and general services	389,628	389,628	-
Fundraising activities	<u>148,133</u>	<u>148,133</u>	<u>-</u>
Total supporting services	<u>537,761</u>	<u>537,761</u>	<u>-</u>
Total expenses	<u>2,370,084</u>	<u>2,370,084</u>	<u>-</u>
Increase (decrease) in net assets	1,286,595	1,412,295	(125,700)
Net assets, beginning of year	<u>9,195,877</u>	<u>3,960,636</u>	<u>5,235,241</u>
Net assets, end of year	<u>\$ 10,482,472</u>	<u>\$ 5,372,931</u>	<u>\$ 5,109,541</u>

See notes to financial statements.

THE SOUTHAMPTON ANIMAL SHELTER FOUNDATION INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021

	Program Services				Supporting Services			Total Expenses
	Shelter Services	Veterinary Clinic	Community Outreach	Total Program Services	Management and General Services	Fundraising Activities	Total Supporting Services	
Salaries	\$ 958,878	\$ 415,037	\$ 57,246	\$ 1,431,161	\$ 280,964	\$ 43,900	\$ 324,864	\$ 1,756,025
Payroll taxes	81,191	35,142	4,847	121,180	39,636	3,786	43,422	164,602
Employee benefits	61,279	26,525	3,658	91,462	15,916	1,635	17,551	109,013
Total salaries and related expenses	<u>1,101,348</u>	<u>476,704</u>	<u>65,751</u>	<u>1,643,803</u>	<u>336,516</u>	<u>49,321</u>	<u>385,837</u>	<u>2,029,640</u>
Outside services	87,772	37,991	5,240	131,003	70,540	50,386	120,926	251,929
Pet supplies and medicine	169,610	73,414	10,126	253,150	-	-	-	253,150
Office and miscellaneous	66,782	28,905	3,986	99,673	19,042	46,857	65,899	165,572
Insurance	40,245	17,419	2,403	60,067	16,018	4,004	20,022	80,089
Depreciation and amortization	30,025	12,996	1,793	44,814	1,400	466	1,866	46,680
Occupancy, utilities and storage	42,086	18,216	2,513	62,815	9,663	8,053	17,716	80,531
Postage and printing	4,790	2,073	286	7,149	14,298	80,683	94,981	102,130
Cleaning and maintenance	30,525	13,212	1,822	45,559	60,729	62	60,791	106,350
Professional fees	-	-	-	-	79,715	-	79,715	79,715
Other	11,807	5,111	705	17,623	16,243	24	16,267	33,890
Advertising costs	25,388	10,989	1,516	37,893	13,545	13,061	26,606	64,499
Total expenses	<u>\$ 1,610,378</u>	<u>\$ 697,030</u>	<u>\$ 96,141</u>	<u>\$ 2,403,549</u>	<u>\$ 637,709</u>	<u>\$ 252,917</u>	<u>\$ 890,626</u>	<u>\$ 3,294,175</u>

See notes to financial statements.

THE SOUTHAMPTON ANIMAL SHELTER FOUNDATION INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020

	Program Services				Supporting Services			Total Expenses
	Shelter Services	Veterinary Clinic	Community Outreach	Total Program Services	Management and General Services	Fundraising Activities	Total Supporting Services	
Salaries	\$ 710,283	\$ 307,436	\$ 42,405	\$ 1,060,124	\$ 208,122	\$ 32,519	\$ 240,641	\$ 1,300,765
Payroll taxes	64,429	27,887	3,846	96,162	18,552	2,701	21,253	117,415
Employee benefits	43,003	18,613	2,567	64,183	11,169	1,148	12,317	76,500
Total salaries and related expenses	817,715	353,936	48,818	1,220,469	237,843	36,368	274,211	1,494,680
Outside services	100,476	43,490	5,999	149,965	79,427	56,130	135,557	285,522
Pet supplies and medicine	94,158	40,755	5,621	140,534	-	-	-	140,534
Office and miscellaneous	32,800	14,197	1,958	48,955	9,352	23,014	32,366	81,321
Insurance	39,637	17,156	2,366	59,159	15,776	3,944	19,720	78,879
Depreciation and amortization	50,305	21,774	3,002	75,081	2,346	782	3,128	78,209
Occupancy, utilities and storage	38,938	16,854	2,325	58,117	8,940	7,451	16,391	74,508
Postage and printing	1,027	445	61	1,533	3,065	17,296	20,361	21,894
Cleaning and maintenance	37,563	16,259	2,243	56,065	71	40	111	56,176
Professional fees	-	-	-	-	29,000	-	29,000	29,000
Other	9,282	4,018	554	13,854	737	147	884	14,738
Advertising costs	5,756	2,491	344	8,591	3,071	2,961	6,032	14,623
Total expenses	\$ 1,227,657	\$ 531,375	\$ 73,291	\$ 1,832,323	\$ 389,628	\$ 148,133	\$ 537,761	\$ 2,370,084

See notes to financial statements.

THE SOUTHAMPTON ANIMAL SHELTER FOUNDATION INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Operating activities:		
Increase (decrease) in net assets	\$ (360,540)	\$ 1,286,595
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	46,680	78,209
Write-off of deferred construction costs	-	31,804
Donated stock included in contributions	(20,304)	(50,515)
Unrealized gain on investments	(283,210)	(378,056)
Realized gain on sale of investments	(398,059)	-
Changes in operating assets and liabilities:		
Other receivables	(3,517)	28,147
Prepaid expenses	(27,181)	7,788
Accrued expenses	9,808	(20,475)
Deferred revenue	<u>(21,510)</u>	<u>21,510</u>
Net cash provided by (used in) operating activities	<u>(1,057,833)</u>	<u>1,005,007</u>
Investing activities:		
Purchase of property and equipment	(59,680)	(577,502)
Proceeds from sale of investments	2,257,367	-
Purchase of investments, net	<u>(1,106,162)</u>	<u>(24,281)</u>
Net cash provided by (used in) investing activities	<u>1,091,525</u>	<u>(601,783)</u>
Net increase in cash, cash equivalents and restricted cash	33,692	403,224
Cash, cash equivalents and restricted cash, beginning of year	<u>6,857,433</u>	<u>6,454,209</u>
Cash, cash equivalents and restricted cash, end of year	<u>\$ 6,891,125</u>	<u>\$ 6,857,433</u>

See notes to financial statements.

THE SOUTHAMPTON ANIMAL SHELTER FOUNDATION INC.

NOTES TO FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

1. Organization

The Southampton Animal Shelter Foundation Inc., (“SASF,” 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”).

2. Summary of Significant Accounting Policies

COVID-19 Pandemic

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a “Public Health Emergency of International Concern” and on March 11, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, and quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which the Foundation operates.

Basis of Accounting

The accompanying financial statements of the Foundation are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”).

Cash, Cash Equivalents and Restricted Cash

The Foundation considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. At times, cash balances may be in excess of the Federal Deposit Insurance Corporation (“FDIC”) insurance limit. Cash and highly liquid financial instruments restricted to building projects, endowments that are perpetual in nature, or other long-term purposes are excluded from this definition.

The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the statements of financial position to the sum of the corresponding amounts within the statements of cash flows:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 6,770,330	\$ 6,578,754
Cash restricted to various programs	<u>120,795</u>	<u>278,679</u>
Total	<u>\$ 6,891,125</u>	<u>\$ 6,857,433</u>

THE SOUTHAMPTON ANIMAL SHELTER FOUNDATION INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

2. **Summary of Significant Accounting Policies (Continued)**

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.

Allowance for Doubtful Accounts

The Foundation's contributions and grants receivable are presented on the statements of financial position net of the allowance for doubtful accounts, if required. The allowance is determined by a variety of factors, including the age of the receivables, current economic conditions, historical losses and other information management obtains regarding the financial condition of donors. The policy for determining the past due status of receivables is based on how recently payments have been received. Receivables are charged off when they are deemed uncollectible, which may arise when donors file for bankruptcy or are otherwise deemed unable to repay the amounts owed to the Foundation. There was no allowance as of December 31, 2021 and 2020, respectively.

Investments

The Foundation records investment purchases at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statements of financial position. Net investment income (loss) is reported in the statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

Property and Equipment

Property and equipment are carried at cost, net of accumulated depreciation. Depreciation is recorded using the straight-line method based on the useful lives of the assets, which range from 5 to 27.5 years. Leasehold improvements are being amortized over the remaining life of the lease.

Net Assets

Net assets, revenues, gains and losses are classified based on the existence or absence of donor- or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions - Net assets without donor restrictions are available for use at the discretion of the Board of Directors (the "Board") and/or management for general operating purposes. From time to time the Board designates a portion of these net assets for specific purposes which makes them unavailable for use at management's discretion. The Foundation's net assets without donor restrictions are composed of undesignated amounts.

THE SOUTHAMPTON ANIMAL SHELTER FOUNDATION INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

2. **Summary of Significant Accounting Policies (Continued)**

Net Assets (Continued)

Net Assets With Donor Restrictions - Net assets with donor restrictions consist of assets whose use is limited by donor-imposed, time and/or purpose restrictions. The Foundation reports gifts of cash and other assets as revenue with donor restrictions 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, the net assets are reclassified as net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. See Notes 7 and 8 for more information on the composition of net assets with donor restrictions and the release of restrictions, respectively.

Revenue Recognition

During 2020, the Foundation adopted Accounting Standards Update (“ASU”) 2014-09, *Revenue from Contracts with Customers* (Topic 606), as amended. The ASU provides a framework for recognizing revenue and is intended to improve comparability of revenue recognition practices across for-profit and non-profit entities. Analysis of the various provisions of this standard results in no significant changes in the Foundation’s recognized revenue; however, the presentation and disclosures of revenue have been enhanced. The Foundation has elected to opt out of all (or certain) disclosures not required for nonpublic entities and also elected a modified or retrospective approach for implementation.

The Foundation recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met. The Foundation recognizes fundraising revenue when the related events are held, and performance obligations are met. Funds received but not yet earned are shown as deferred revenue and totaled \$21,510 at December 31, 2020, and relate to amounts received for the 2021 Unconditional Love event. There were no funds received in advanced at December 31, 2021. Contributions and grants are considered to be without donor restrictions unless specifically restricted by the donor. 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. Special event income is recognized when, or as, performance obligations are satisfied by transferring control of a promised product or service to a donor. Shelter operations revenue is recognized in the period services are provided.

Volunteers and Donated Services

Volunteers contribute significant amounts of time to the Foundation’s program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed goods are recorded at fair value at the date of donation.

THE SOUTHAMPTON ANIMAL SHELTER FOUNDATION INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

2. **Summary of Significant Accounting Policies (Continued)**

Advertising Costs

Advertising and promotional costs are expensed as incurred and totaled \$64,499 and \$14,623 for the years ended December 31, 2021 and 2020, respectively.

Functional Allocation of Expenses

The costs of the Foundation's programs and supportive services have been reported on a functional basis in the statements of functional expenses. The Foundation's primary program activity is shelter services. Expenses are charged to each program based on direct expenses incurred. Facility operations such as cleaning and maintenance, occupancy, utilities and storage, and depreciation are allocated among functional classifications based on usage of space and building costs. Any program expense not directly chargeable to a program is allocated to the appropriate functional category.

Income Taxes

The Foundation qualifies as a tax-exempt not-for-profit organization under Section 501(c)(3) of the Internal Revenue Code ("IRC") 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 IRC. The Foundation applies the provision pertaining to uncertain tax positions (Accounting Standards Codification ("ASC") Topic 740) and has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements. The income tax returns of the Foundation for tax years subsequent to 2018 are open and subject to examination by the taxing authorities.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP 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.

Recent Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board ("FASB") issued ASU 2016-02, *Leases (Topic 842)*, which will require entities to recognize lease assets and lease liabilities (related to leases previously classified as operating under previous U.S. GAAP) on the statements of financial position. This ASU is required to be adopted on a modified retrospective basis. The ASU is effective for fiscal years beginning after December 15, 2021. The Foundation's management is in the process of assessing the impact of this ASU on the financial statements.

THE SOUTHAMPTON ANIMAL SHELTER FOUNDATION INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

2. **Summary of Significant Accounting Policies (Continued)**

Recent Accounting Pronouncements (Continued)

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which requires a not-for-profit entity to present contributed nonfinancial assets in the statement of activities as a line item that is separate from contributions of cash or other financial assets. ASU 2020-07 also requires additional qualitative disclosures about contributed nonfinancial assets received, disaggregated by category. The amendments in this ASU will be applied on a retrospective basis and are effective for annual reporting periods beginning after June 15, 2021. The Foundation's management is in the process of assessing the impact of this ASU on the financial statements.

3. **Liquidity and Availability of Resources**

The Foundation's financial assets available within one year of the statements of financial position date for general expenditures are as follows:

	<u>2021</u>
Cash and cash equivalents	\$ 6,891,125
Other receivables	<u>22,372</u>
Total financial assets available within one year	6,913,497
Less:	
Amounts unavailable for general expenditures within one year, due to:	
Restricted by donors with purpose restrictions	<u>4,951,657</u>
Total financial assets available to management for general expenditure within one year	<u>\$ 1,961,840</u>

Liquidity Management

SASF maintains a policy of structuring its financial assets to be available as general expenditures, liabilities, and other obligations come due.

4. **Investments and Fair Value Measurements**

The FASB defines the fair value of financial instruments as the amount 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. Fair value measurements do not include transaction costs.

The accounting guidance also expands the disclosure requirements around fair value and establishes a fair value hierarchy for valuation inputs. The hierarchy prioritizes the inputs into three levels based on the extent to which inputs used in measuring fair value are observable in the market. Each fair value measurement is reported in one of the three levels, which is determined by the lowest level input that is significant to the fair value measurement in its entirety. Valuation techniques used to maximize the use of observable inputs and minimize the use of unobservable inputs. These levels are described below:

THE SOUTHAMPTON ANIMAL SHELTER FOUNDATION INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

4. Investments and Fair Value Measurements (Continued)

- Level 1 Inputs that are based upon unadjusted quoted prices for identical instruments traded in active markets.
- Level 2 Quoted prices in markets that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly.
- Level 3 Prices or valuation that require inputs that are both significant to the fair value measurement and unobservable.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2021 and 2020.

Investments: Equity securities and mutual funds are classified as Level 1 instruments as they are actively traded on public exchanges.

The following tables set forth by level within the fair value hierarchy the Foundation's financial assets that were accounted for at fair value on a recurring basis at December 31, 2021 and 2020 according to the valuation techniques the Foundation used to determine their fair values:

As of December 31, 2021:	<u>Total</u>	<u>Level 1</u>
Investments consisting of equity securities and mutual funds	\$ 2,620,131	\$ 2,620,131
As of December 31, 2020:	<u>Total</u>	<u>Level 1</u>
Investments consisting of equity securities and mutual funds	\$ 3,069,763	\$ 3,069,763

Investments consist of the following:

As of December 31, 2021:	<u>Fair Value</u>
Equity securities	\$ 20,566
Mutual funds	2,599,565
	<u>\$ 2,620,131</u>
As of December 31, 2020:	<u>Fair Value</u>
Equity securities	\$ 1,859,309
Mutual funds	1,210,454
	<u>\$ 3,069,763</u>

THE SOUTHAMPTON ANIMAL SHELTER FOUNDATION INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

5. Other Receivables

Other receivables of \$22,372 and \$18,855 at December 31, 2021 and 2020, respectively, consist primarily of amounts due the Foundation for its mobile clinic operations totaling \$10,115 and \$18,855, respectively.

6. Property and Equipment, Net

Property and equipment, net consisted of the following at December 31, 2021 and 2020:

	2021	2020
Building and land	\$ 539,000	\$ 539,000
Furniture & fixtures	48,820	41,575
Computer equipment and software	104,072	85,748
Vehicles	186,975	186,975
Medical equipment	30,454	27,509
Leasehold improvements	342,276	311,111
	1,251,597	1,191,918
Less: accumulated depreciation and amortization	626,689	580,010
Property and equipment, net	<u>\$ 624,908</u>	<u>\$ 611,908</u>

The Foundation recorded depreciation expense for the years ended December 31, 2021 and 2020 of \$46,680 and \$78,209, respectively.

In 2020, the Foundation purchased a single-family residence for \$539,000. Effective December 31, 2020, the Foundation entered into a one-year lease agreement, with a former Executive Director, to rent this property at a fair market rate. Rental income totaled \$18,736 and is included in caption "Other" in the revenue and other support section of the 2021 Statement of Activities. A new two-year lease agreement was executed in 2022 with the Foundation's new Executive Director with an annual rate of \$24,000.

7. Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes:

	2021	2020
Capital expenditures and improvements	\$ 4,830,862	\$ 4,830,862
For the Benefit of Dogs	-	137,877
Veteran Program	60,000	60,000
Meet & Greet Room	37,025	37,025
Pet Food Pantry	-	13,987
Humane Education Program	12,770	13,100
Enclosed Dog Run	11,000	11,000
Cat Cam	-	5,000
Education for Jewel	-	690
Total net assets with donor restrictions	<u>\$ 4,951,657</u>	<u>\$ 5,109,541</u>

THE SOUTHAMPTON ANIMAL SHELTER FOUNDATION INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

8. Net Assets with Donor Restrictions (Continued)

Donor restrictions have been designated for the following purposes:

Capital Expenditures and Improvements - For the construction of a new facility and/or the expansion of present facilities.

For the Benefit of Dogs - Earmarked to provide care, housing, training, enrichment and medical support to the canine population at the shelter.

Veteran Program - To prepare dogs for acceptance into programs for further training to become service dogs for veterans.

Humane Education Program - To develop teaching materials and present programs in local elementary schools.

Enclosed Dog Run – A covered area to protect dogs from the weather during exercise and play.

Pet Food Pantry – To help local pet owners subsidize their food costs with pet food contributions from the shelter.

Meet & Greet Room – To honor the memory of Mark Humphrey.

Cat Cam – Live streaming of cat rooms to increase visibility and opportunities for adoption.

Education for Jewel – Special training and handling for a deaf canine.

9. Net Assets Released from Donor Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of the passage of time or other events specified by donors. The net assets released from restrictions are as follows:

	<u>2021</u>	<u>2020</u>
For the Benefit of Dogs	\$ 159,443	\$ 379,636
Animal Rescue	129,330	-
Pet Food Pantry	15,973	-
Humane Education Program	5,768	3,850
Cat Cam	5,000	-
Education for Jewel	690	-
Capital expenditures and improvements	-	116,871
Total net assets released from donor restrictions	<u>\$ 316,204</u>	<u>\$ 500,357</u>

THE SOUTHAMPTON ANIMAL SHELTER FOUNDATION INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

10. Contributed Goods and Services

In 2021 and 2020, 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 years ended December 31, 2021 and 2020 based on the amounts received from the proceeds of the auctions.

11. Retirement Plan

The Foundation has a 401(k) profit sharing plan effective January 1, 2011. All employees that have met the age and service requirements are deemed to be participants. Eligible employees may elect to defer a portion of their annual compensation limited to statutory requirements determined by law. The Foundation did not make any discretionary contributions for 2021 or 2020.

12. Economic Dependence and Contributions

Since its inception, the Foundation has relied on, and has been economically dependent on several major related donors for a significant portion of its cash flow requirements. The Chairwoman and an entity affiliated with the Chairwoman donated \$152,150 and \$1,108,315 to the Foundation during 2021 and 2020, respectively.

13. Commitments and Contingencies

Occasionally, claims arising in the ordinary course of operations have been instituted against the Foundation. While the ultimate effects of such claims cannot be determined at the present time, it is the opinion of the Foundation's management, that any liabilities in excess of insurance coverage resulting from these actions would not have a material effect on the Foundation's financial position, results of operations or cash flows.

14. Agreement Between the Foundation and the Town of Southampton

The Foundation's agreement with the Town of Southampton (the "Town") for the operation of the animal shelter is in effect through December 31, 2027. Under the terms of the new agreement, the Town has agreed to make an annual contribution of \$430,000 to cover shelter services. 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 new agreement, the Town is responsible for only necessary structural repairs in the event of a natural disaster response, or structural failure with anticipated cost exceeding \$100,000. Additionally, the Foundation is responsible for utility costs and maintaining a capital reserve fund.

Under the former agreement which expired December 31, 2021, the Town was responsible for maintaining various service contracts for the facility and the Town paid for electric and gas service as needed during the term of the former agreement. For the years ended December 31, 2021 and 2020, the Town paid \$78,165 and \$70,924, respectively, for such electric and gas service. During 2021 and 2020, the Town contributed \$250,000 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.

THE SOUTHAMPTON ANIMAL SHELTER FOUNDATION INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

15. Subsequent Events

The Foundation has evaluated subsequent events for recognition or disclosure through the date these financial statements were available to be issued, November 15, 2022. During this period, increasing costs and inflation along with tight labor markets have impacted the Foundation's expenses in 2022. In addition, significant market volatility and downturn in the first nine months of 2022 have impacted the value of the Foundation's invested assets. SASF has taken steps to diversify its portfolio however, continued negative impacts could adversely affect its ability to carry out the Foundation's mission. The Foundation will continue to closely monitor these events and take mitigating actions as appropriate.