

**THE SOUTHAMPTON ANIMAL SHELTER  
FOUNDATION INC.**

Financial Statements

for the years ended  
December 31, 2023 and 2022

**THE SOUTHAMPTON ANIMAL SHELTER  
FOUNDATION INC.**

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**Mary Ann Mendel, CPA, PC**  
**NON-PROFIT CONSULTANT**  
**HAMPTON BAYS, NEW YORK**  
**(631) 680-4442**  
mmendelcpa@gmail.com

**INDEPENDENT AUDITOR'S REPORT**

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

**Opinion**

I have audited the accompanying financial statements of The Southampton Animal Shelter Foundation Inc. (a nonprofit organization) which comprise the statements of financial position as of December 31, 2023 and 2022, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In my 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, 2023, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Basis for Opinion**

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of The Southampton Animal Shelter Foundation Inc. and to meet my other ethical responsibilities in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

**Correction of Error**

As discussed in Note 14 to the financial statements, a restatement has been included in the financial statements to properly reflect a pledge erroneously not recorded in the prior year . My opinion is not modified with respect to this matter.

**Responsibilities of Management 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; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

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

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in my judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

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

*Mary Ann Mendel, CPA*

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Mary Ann Mendel, CPA  
Hampton Bays, New York

October 28, 2024

THE SOUTHAMPTON ANIMAL SHELTER FOUNDATION INC.

Statements of Financial Position

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 1,162,588	\$ 345,711
Investments in marketable securities, fair value	8,134,987	8,454,221
Pledges receivable	499,392	-
Accounts receivable	7,025	7,765
Stimulus tax credits receivable, net	-	587,254
Prepaid expenses	<u>37,376</u>	<u>52,890</u>
Total Current Assets	<u>9,841,368</u>	<u>9,447,841</u>
Property and Equipment, net	<u>653,745</u>	<u>628,118</u>
Other Assets		
Long-term pledges, net discount	898,917	-
Deposit	<u>25,000</u>	<u>25,000</u>
Total Other Assets	<u>923,917</u>	<u>25,000</u>
 Total Assets	 <u>\$ 11,419,030</u>	 <u>\$ 10,100,959</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	\$ 94,135	\$ 126,951
Deferred revenue	<u>2,510</u>	<u>-</u>
Total Current Liabilities	<u>96,645</u>	<u>126,951</u>
Net Assets		
Without donor restrictions	4,412,050	4,713,570
With donor restrictions	<u>6,910,335</u>	<u>5,260,438</u>
Total Net Assets	<u>11,322,385</u>	<u>9,974,008</u>
 Total Liabilities and Net Assets	 <u>\$ 11,419,030</u>	 <u>\$ 10,100,959</u>

See Independent Auditor's Report and  
Notes to Financial Statements

THE SOUTHAMPTON ANIMAL SHELTER FOUNDATION INC.

Statement of Activities

for the year ended December 31, 2023

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues			
Contributions	\$ 571,760	\$ 459,988	\$ 1,031,748
In-kind and stock donations	77,573	-	77,573
Fundraising events	920,685	-	920,685
Shelter services	104,972	-	104,972
Veterinary clinic	196,955	-	196,955
Community outreach	14,852	-	14,852
Other income	6,000	-	6,000
Investment income, net	236,467	-	236,467
Investment gains (losses):			
Realized	8,430	-	8,430
Unrealized	110,743	-	110,743
Other income	171	-	171
Net assets related from restriction	<u>657,614</u>	<u>(657,614)</u>	<u>-</u>
Total Revenue	<u>2,906,222</u>	<u>(197,626)</u>	<u>2,708,596</u>
Expenses			
Program services:			
Shelter services	1,317,991	-	1,317,991
Veterinary clinic	690,067	-	690,067
Community outreach	<u>83,668</u>	<u>-</u>	<u>83,668</u>
Total Program Services	<u>2,091,726</u>	<u>-</u>	<u>2,091,726</u>
Supporting services:			
Management General	710,622	-	710,622
Fundraising	<u>363,619</u>	<u>-</u>	<u>363,619</u>
Total Supporting Services	<u>1,074,241</u>	<u>-</u>	<u>1,074,241</u>
Total Expenses	<u>3,165,967</u>	<u>-</u>	<u>3,165,967</u>
Change in Net Assets	(259,745)	(197,626)	(457,371)
Net Assets, beginning of year, as previously reported	4,713,570	5,260,438	9,974,008
Restatement	<u>(41,775)</u>	<u>1,847,523</u>	<u>1,805,748</u>
Net Assets, beginning of year, restated	<u>4,671,795</u>	<u>7,107,961</u>	<u>11,779,756</u>
Net Assets, end of year	<u>\$ 4,412,050</u>	<u>\$ 6,910,335</u>	<u>\$ 11,322,385</u>

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THE SOUTHAMPTON ANIMAL SHELTER FOUNDATION INC.

Statement of Activities

for the year ended December 31, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues			
Contributions	\$ 885,734	\$ 365,122	\$ 1,250,856
In-kind donations	31,071	-	31,071
Fundraising events	749,053	5,727	754,780
Grants	18,900	-	18,900
Shelter services	130,130	-	130,130
Veterinary clinic	514,091	-	514,091
Community outreach	270	-	270
Other income	24,000	-	24,000
Gain/(loss) on disposal of fixed assets	(385)	-	(385)
Investment income	104,220	-	104,220
Investment gains (losses)			
Realized	257,915	-	257,915
Unrealized	(622,554)	-	(622,554)
Other income	383	-	383
Net assets related from restriction	<u>62,068</u>	<u>(62,068)</u>	<u>-</u>
Total Revenue	<u>2,154,896</u>	<u>308,781</u>	<u>2,463,677</u>
Expenses			
Program services:			
Shelter services	1,280,041	-	1,280,041
Veterinary clinic	689,999	-	689,999
Community outreach	82,086	-	82,086
Total Program Services	<u>2,052,126</u>	<u>-</u>	<u>2,052,126</u>
Supporting services:			
Management General	747,621	-	747,621
Fundraising	399,108	-	399,108
Total Supporting Services	<u>1,146,729</u>	<u>-</u>	<u>1,146,729</u>
Total Expenses	<u>3,198,855</u>	<u>-</u>	<u>3,198,855</u>
Other Income-Government Stimulus, net	<u>587,254</u>	<u>-</u>	<u>587,254</u>
Change in Net Assets	(456,705)	308,781	(147,924)
Net Assets, beginning of year	<u>5,170,275</u>	<u>4,951,657</u>	<u>10,121,932</u>
Net Assets, end of year	<u>\$ 4,713,570</u>	<u>\$ 5,260,438</u>	<u>\$ 9,974,008</u>

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THE SOUTHAMPTON ANIMAL SHELTER FOUNDATION INC.

Statement of Functional Expenses

For the Year Ended December 31, 2023

	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	\$ 750,366	\$ 436,021	\$ 49,433	\$ 1,235,820	\$ 406,795	\$ -	\$ 406,795	\$ 1,642,615
Payroll taxes	65,803	36,840	4,277	106,920	33,298	-	33,298	140,218
Employee benefits	67,957	29,414	4,057	101,428	19,321	-	19,321	120,749
Total salaries and related exp	884,126	502,275	57,767	1,444,168	459,414	-	459,414	1,903,582
Outside services	36,354	15,735	2,170	54,259	29,216	20,869	50,085	104,344
Pet supplies and medicine	143,297	62,024	8,555	213,876	-	-	-	213,876
Office Supplies	45,424	19,661	2,712	67,797	13,558	31,639	45,197	112,994
Insurance	67,234	29,101	4,014	100,349	26,761	6,690	33,451	133,800
Depreciation and amortization	29,830	12,911	1,781	44,522	1,392	464	1,856	46,378
Occupancy, utilities and storage	60,899	26,359	3,636	90,894	13,984	11,653	25,637	116,531
Postage, printing & outreach e	17,256	7,469	1,030	25,755	51,513	290,673	342,186	367,941
Cleaning and maintenance	31,203	13,506	1,863	46,572	34,315	817	35,132	81,704
Professional Fees	-	-	-	-	78,559	-	78,559	78,559
Other	804	349	47	1,200	1,080	23	1,103	2,303
Advertising	1,564	677	93	2,334	830	791	1,621	3,955
Total Expenses	<u>\$ 1,317,991</u>	<u>\$ 690,067</u>	<u>\$ 83,668</u>	<u>\$ 2,091,726</u>	<u>\$ 710,622</u>	<u>\$ 363,619</u>	<u>\$ 1,074,241</u>	<u>\$ 3,165,967</u>

See Independent Auditor's Report and Notes to Financial Statements



THE SOUTHAMPTON ANIMAL SHELTER FOUNDATION INC.

Statement of Functional Expenses

For the Year Ended December 31, 2022

	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	\$ 739,438	\$ 445,567	\$ 49,375	\$ 1,234,380	\$ 430,374	\$ 66,870	\$ 497,244	\$ 1,731,624
Payroll taxes	67,973	39,861	4,493	112,327	24,540	5,299	29,839	142,166
Employee benefits	56,738	24,558	3,387	84,683	15,122	1,008	16,130	100,813
Total salaries and related expenses	864,149	509,986	57,255	1,431,390	470,036	73,177	543,213	1,974,603
Outside services	40,859	17,685	2,439	60,983	32,838	23,455	56,293	117,276
Pet supplies and medicine	120,428	52,126	7,191	179,745	-	-	-	179,745
Office Supplies	52,928	22,909	3,161	78,998	15,799	36,865	52,664	131,662
Insurance	48,820	21,131	2,915	72,866	19,431	4,856	24,287	97,153
Depreciation and amortization	29,425	12,736	1,757	43,918	1,372	458	1,830	45,748
Occupancy, utilities and storage	65,277	28,254	3,897	97,428	14,989	12,491	27,480	124,908
Postage, printing & outreach expenses	14,462	6,260	863	21,585	43,171	243,607	286,778	308,363
Cleaning and maintenance	36,790	15,924	2,196	54,910	40,460	964	41,424	96,334
Professional Fees	-	-	-	-	105,415	-	105,415	105,415
Other	542	235	32	809	731	16	747	1,556
Advertising	6,361	2,753	380	9,494	3,379	3,219	6,598	16,092
Total Expenses	<u>\$ 1,280,041</u>	<u>\$ 689,999</u>	<u>\$ 82,086</u>	<u>\$ 2,052,126</u>	<u>\$ 747,621</u>	<u>\$ 399,108</u>	<u>\$ 1,146,729</u>	<u>\$ 3,198,855</u>

See Independent Auditor's Report and Notes to Financial Statements

THE SOUTHAMPTON ANIMAL SHELTER FOUNDATION INC.

Statements of Cash Flows

for the years ended

	December 31	
	<u>2023</u>	<u>2022</u>
<u>Cash Flow from Operating Activities:</u>		
Change in Net Assets	\$ (457,371)	\$ (147,924)
Adjustments to reconcile the changes in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	46,378	45,748
Donated securities	(3,361)	-
Realized (gain) on investments	(8,430)	(257,915)
Unrealized (gain) loss on investments	(110,743)	622,554
Loss on disposal of fixed asset	-	385
(Increase) Decrease in:		
Pledge receivable	399,525	-
Accounts receivables	740	14,608
Stimulus tax credit receivable, net	587,254	(587,254)
Prepaid expenses	15,514	(11,544)
Increase (Decrease) in:		
Accounts payable and accrued expenses	(32,816)	24,001
Deferred revenue	<u>2,510</u>	<u>-</u>
Net Cash Provided (Used) by Operating Activities	<u>439,200</u>	<u>(297,341)</u>
<u>Cash Flows from Investing Activities:</u>		
Purchase of property and equipment	(72,004)	(49,344)
Purchase of investments	(6,683,550)	(8,896,465)
Proceeds from sale investments	<u>7,133,231</u>	<u>2,697,736</u>
Net Cash Provided (Used) by Investing Activities	<u>377,677</u>	<u>(6,248,073)</u>
Increase (Decrease) in Cash and Cash Equivalents	816,877	(6,545,414)
Cash and Cash Equivalents, beginning of year	<u>345,711</u>	<u>6,891,125</u>
Cash and Cash Equivalents, end of year	<u>\$ 1,162,588</u>	<u>\$ 345,711</u>
In-kind Donations:		
Marketable securities	\$ 3,361	\$ -
Shelter equipment and supplies	29,027	11,923
Fundraising auction items	45,185	19,148

See Independent Auditor's Report and  
Notes to Financial Statements

THE SOUTHAMPTON ANIMAL SHELTER FOUNDATION INC.

Notes to Financial Statements

December 31, 2023

Note 1 - Nature of Organization

The Southampton Animal Shelter Foundation Inc. (the Organization) was incorporated under the laws of New York State and is an exempt organization under Section 501(c)(3) of the Internal Revenue Code. Its primary purpose is to provide for the welfare of animals and reduce the number of homeless pets in New York. Founded in 2009 to take over operations of the Southampton Animal Shelter, formerly run by the Town of Southampton (the "Town"), the Organization conducts fundraising events to raise funds for this purpose.

Note 2 - Summary of Significant Accounting Policies

This summary of significant accounting policies is presented to assist in understanding the Organization's financial statements. The financial statements and notes are representations of the Organization's management who are responsible for their integrity and objectivity.

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting and accordingly, reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

The financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("US GAAP"), which require the organization to report information regarding its financial position and activities according to the following net asset classifications:

***Net assets without donor restrictions:*** Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Organization's management and the board of directors.

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

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

See Independent Auditor's Report

THE SOUTHAMPTON ANIMAL SHELTER FOUNDATION INC.

Notes to Financial Statements

December 31, 2023

Note 2 - Continued

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, the actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid investments with original maturity of three months or less to be cash equivalents, including restricted funds.

Concentration of Credit Risk

The Organization's financial instruments that are potentially exposed to concentrations of credit risk consist primarily of cash and accounts receivable. The Organization deposits its cash with what it believes to be quality financial institutions, and at times during the year the balances have exceeded the federally insured limits. The Organization believes no significant concentration of credit risk exists with respect to its cash and accounts receivable.

Investments

Investments in marketable securities are reported at their fair values in the statements of financial position. Investment income, net of direct investment management fees and any realized and unrealized gains and losses are included in the statements of activities. Investments received through donations are recorded at fair market value at the date of donation.

Promises to Give

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or other expenses depending on the form of benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable.

See Independent Auditor's Report

THE SOUTHAMPTON ANIMAL SHELTER FOUNDATION INC.

Notes to Financial Statements

December 31, 2023

Note 2 - Continued

Allowance for Doubtful Accounts

The Organization's pledges and accounts 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 Organization. There was no allowance as of December 31, 2023 and 2022, as management deemed an allowance unnecessary.

Property, Equipment and Depreciation

Expenditures for property and equipment are capitalized at cost. Donated assets are capitalized at their fair market value on the date of the gift. Depreciation is computed on the straight-line method over the estimated useful lives of the assets, which range from five to 27.5 years.

Revenue and Revenue Recognition

Revenue is recognized when earned. Program service fees and payments under cost-reimbursable contracts received in advance are deferred to the applicable period in which the related services are performed, or expenditures are incurred, respectively. Contributions are recognized when cash, or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met or the donor has explicitly released the restriction.

The organization has the following exchange transaction revenue included in its Statements of Activities for the years ending December 31, 2023 and 2022:

- *Special Event Revenue* – The Organization conducts special and fundraising events in which a portion of the proceeds paid by the participant represent payment for the direct cost benefits received by the participant at the event – the exchange component, and a portion represents a contribution to the Organization. The fair value of meals and entertainment provided at these events are measured at actual cost to the Organization and is recognized when the event takes place. The contribution portion is the excess of the gross revenue over the fair value of the direct donor benefit and is recognized immediately, unless there is a right of return if the event does not take place.

See Independent Auditor's Report

THE SOUTHAMPTON ANIMAL SHELTER FOUNDATION INC.

Notes to Financial Statements

December 31, 2023

Note 2 - Continued

- *Shelter Operations* – The Organization provides many services related to the welfare of animals and the related revenue is recognized when those services take place. Any funds received prior to the service date are included in deferred revenue.

In-kind and Non-Cash Donations and Services

In-kind and non-cash donations are recorded at their estimated fair value determined on the date of contribution and are reported as contributions in-kind and supporting services on the accompanying statements of activities and statements of functional expenses. In-kind and non-cash donations consisted of the following:

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
Stock donations – immediately sold	\$ 3,361	\$ -
Shelter equipment and supplies	29,027	11,923
Fundraising auction items – immediately sold	<u>45,185</u>	<u>19,148</u>
Total In-kind Donations	<u>\$ 77,573</u>	<u>\$ 31,071</u>

The Organization's policy related to gifts-in-kind is to utilize the assets given to carry out the mission of the Organization. If an asset is provided that does not allow the Organization to utilize it in its normal course of business, the asset will be sold at its fair market value as determined by appraisal or specialist depending on the type of asset. The donated stock and fundraising auction items were sold immediately and utilized in accordance with its mission. The shelter equipment and supplies are being used in accordance with its mission as well.

A substantial number of volunteers have made significant contributions of their time in furtherance of the organization's mission. These services were not reflected in the accompanying statements of activities because they do not meet the necessary criteria for recognition under US GAAP.

Functional Allocation of Expenses

The costs of providing the various programs and supporting services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Such allocations are determined by management on an equitable basis and are based on the percentage of time.

Advertising Costs

Advertising and promotional costs are expensed as incurred and totaled \$3,955 and \$16,092 for the years ended December 31, 2023 and 2022, respectively.

See Independent Auditor's Report

THE SOUTHAMPTON ANIMAL SHELTER FOUNDATION INC.

Notes to Financial Statements

December 31, 2023

Note 2 - Continued

New Accounting Pronouncements Adopted

On January 1, 2023, the Organization adopted ASU No. 2016-13, Financial Instruments – Credit Losses (Topic 326), which significantly changed how entities will measure credit losses for most financial assets and certain other instruments that are not measured at fair market value through net income. The most significant change in the standard is the shift from the incurred loss model to the expected loss model. Under the standard, disclosures are required to provide financial statement users with useful information in analyzing the organization’s exposure to credit risk and the measurement of credit losses. Financial assets held by the Organization that are subject to the guidance in FASB ASC 326 were accounts receivable. The impact of the adoption was not considered material to the financial statements and primarily resulted in new and enhanced disclosures only.

As of January 1, 2022, the Organization changed its accounting method for leases as a result of implementing the requirements in the Financial Accounting Standard Board's Accounting Standards Codification (ASC) 842, *Leases*, using the modified retrospective transition method. There was no cumulative effect adjustment to the Organization's statement of financial position as of December 31, 2022.

Note 3 - Availability and Liquidity

The following represents the organization’s financial assets as of:

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 1,162,588	\$ 345,711
Investments	8,134,987	8,454,221
Pledges receivable	1,398,309	-
Accounts receivable	7,025	7,765
Stimulus tax credit receivable	-	587,254
Total Financial Assets	<u>\$ 10,702,909</u>	<u>\$ 9,394,951</u>
Less financial assets not available:		
Net assets with donor restrictions	<u>6,910,335</u>	<u>5,260,438</u>
Financial assets available to meet the cash needs for general expenditures	<u>\$ 3,792,574</u>	<u>\$ 4,134,513</u>

The Organization maintains financial assets to meet operating expenses. As part of its liquidity plan, excess cash, if any, is invested in investments, including money market accounts and publicly traded securities.

See Independent Auditor’s Report

THE SOUTHAMPTON ANIMAL SHELTER FOUNDATION INC.

Notes to Financial Statements

December 31, 2023

Note 4 - Investments – Fair Value

Generally accepted accounting principles provide a framework for measuring fair value. That framework establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are described below:

**Level 1** - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

**Level 2** - Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or by other means.

**Level 3** - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The following is a description of the valuation methodologies used for the investments measured at fair value, including the general classification of such instruments pursuant to the fair value hierarchy:

**Money Market Funds** - Shares of money market funds are valued at the quoted market price, which represents the Net Asset Value (NAV) per share held by the Organization at year-end. Investments in money market funds are classified as Level 1 investments.

**Mutual Funds Shares** - of mutual funds are valued at quoted market prices, which represent the NAV per share held by the Organization at year end. Investments in these funds are generally classified as Level 1 investments or Level 2 if there is a withdrawal restriction.

**Government Securities** - United States treasury securities are valued based upon quoted market prices as of the last reported sales price on the last business day of the Organization's year-end. Investments in United States treasury securities are classified as Level 1 investments.



THE SOUTHAMPTON ANIMAL SHELTER FOUNDATION INC.

Notes to Financial Statements

December 31, 2023

Note 4 - Continued

**Equity Securities** - Shares of equity securities are stated at fair value based on quoted prices on recognized securities exchanges and are valued at the last reported sales price on the last business day of the Organization's year-end. Investments in equity securities are classified as Level 1 investments.

Investments with donor restrictions are \$ 5,512,026 for the year ended December 31, 2023. Investments are all Level 1 investments and consist of the following:

	<u>2023</u>	<u>2022</u>
Money market fund	\$1,222,574	\$ 2,772,520
US Treasuries	6,449,533	5,455,923
Equities	412,304	206,791
Equity funds	14,253	5,415
Exchange traded funds	<u>36,323</u>	<u>13,572</u>
Total	<u>\$8,134,987</u>	<u>\$ 8,454,221</u>

	<u>2023</u>	<u>2022</u>
Investment return, net is summarized as follows:		
Net realized gain on investments	\$ 8,430	\$ 257,915
Net unrealized loss on investments	110,743	(622,554)
Interest and dividends	252,514	104,280
Investment fees	(16,047)	(60)

Note 5 - Property and Equipment

Property and equipment are summarized as follows:

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
Building and land	\$ 539,000	\$ 539,000
Furniture and fixtures	44,119	44,119
Computer equipment and software	134,293	86,772
Vehicles	186,975	186,975
Medical equipment	53,450	53,450
Leasehold improvements	<u>360,035</u>	<u>335,551</u>
	1,317,872	1,245,867
Less Accumulated depreciation	<u>(664,127)</u>	<u>(617,749)</u>
Property and Equipment, Net	<u>\$ 653,745</u>	<u>\$ 628,118</u>

The Organization recorded depreciation and amortization of \$46,378 and \$45,748 respectively for the years ended December 31, 2023 and 2022.

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Notes to Financial Statements

December 31, 2023

Note 6 – Pledges Receivable

Unconditional promises to give are as follows at December 31, 2023:

Short-term	\$ 499,392
Long-term	<u>1,028,947</u>
	1,528,339
Less discount on long-term pledge – 4.55%	<u>(130,030)</u>
Total Pledge Receivable, Net	<u>\$ 1,398,309</u>

Note 7 – Employee Retention Credits

The Organization received Employee Retention Credits in 2023 for credits due from 2020 and 2021. As a result, the Organization has recorded the credits and interest, net of the related fees as a receivable on the Statement of Financial Position as of December 31, 2022 and the related revenue is shown as Other Income on the Statement of Activities for the year ended December 31, 2022. The amount accrued includes \$621,665 in credits plus interest earned of \$69,221, less a fifteen percent professional filing fee of \$103,633.

Note 8 - Net Assets

Net assets with donor restrictions are as follows:

	December 31	
	<u>2023</u>	<u>2022</u>
Specific Purpose:		
Capital expenditures and improvements	\$ 5,061,816	\$ 5,125,862
Town pledge, net	1,398,309	-
Town reserve fund	67,291	-
Medical fund	300,000	-
Veteran program	60,000	60,000
Meet & greet room	-	37,025
Humane education program	-	13,022
Equipment and supply grants	2,919	4,529
Training trailer	<u>20,000</u>	<u>20,000</u>
Total	<u>\$ 6,910,335</u>	<u>\$ 5,260,438</u>

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Notes to Financial Statements

December 31, 2023

Note 8 - Continued

Net assets released from donor restrictions are as follows:

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
Specific Purpose:		
Capital expenditures and improvements	\$ 79,471	\$ -
Town pledge	407,438	-
Town reserve fund	24,484	-
Veteran program	-	20,300
Animal care	94,463	1,525
Meet and Greet Room	37,025	-
Humane education program	13,122	-
Equipment, supply and trailer grants	<u>1,611</u>	<u>40,243</u>
Total	<u>\$ 657,614</u>	<u>\$ 62,068</u>

Note 9 - Tax Exempt Status

The Organization has been classified by the Internal Revenue Service as a publicly supported tax-exempt charity pursuant to IRC Section 501 (c) (3) and as a not-for-profit corporation under the laws of the State of New York. Accordingly, no provision for Federal or State income taxes is required. As of December 31, 2023 and 2022, no amounts have been recognized for uncertain income tax positions. The Organization's tax returns for the year 2020 and forward are subject to the usual review by the appropriate taxing authorities.

Note 10 - Retirement Plan

The Organization 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 Organization did not make any discretionary contributions for 2023 or 2022.

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Notes to Financial Statements

December 31, 2023

Note 11 - Commitments

The Organization's five-year agreement with the Town of Southampton (the "Town") for the operation of the animal shelter is in effect through December 31, 2026. Under the terms of the agreement, the Town has agreed to make contribution of \$430,000 with two percent escalations annually to cover shelter services. In addition, the Town has agreed to make additional annual contributions of \$50,000 for a capital reserve fund to be used for capital purchases. The Organization is not required to pay rent to the Town during the term of the agreement, and the Organization has not determined nor recorded the fair value of the rent. Under the 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 Organization is responsible for utility costs and maintaining the capital reserve fund. The Organization is required to maintain a deposit of \$25,000 with the Town, which is shown on the Statement of Financial Position as an Other Asset.

The Organization entered into a two-year lease agreement in 2022 with the Organization's Executive Director for an annual rate of \$24,000 for rental of the single-family residence the Organization purchased in 2020. The lease has not been renewed as of the date of the audit report.

Note 12 - Concentrations

The Organization 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 \$460,379 and \$445,000 to the Organization during 2023 and 2022, respectively.

Note 13 - Subsequent Events

In preparing the financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through October 28, 2024, the date that the financial statements were available to be issued.

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Notes to Financial Statements

December 31, 2023

Note 14 - Restatement

The financial statements contain a restatement adjustment for a 2022 pledge that was not recorded until 2023. Reclassification of net assets are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Net Assets, January 1, 2023 as Previously Reported	\$ 4,713,570	\$ 5,260,438	\$ 9,974,008
Record pledge, net of discount	<u>(41,775)</u>	<u>1,847,523</u>	<u>1,805,748</u>
Net Assets, January 1, 2023 as Restated	<u>\$ 4,671,795</u>	<u>\$ 7,107,961</u>	<u>\$ 11,779,756</u>