

THE SOUTHAMPTON ANIMAL SHELTER FOUNDATION INC.

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**

**AS OF AND FOR THE YEARS ENDED
DECEMBER 31, 2018 AND 2017**

THE SOUTHAMPTON ANIMAL SHELTER FOUNDATION INC.
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

CONTENTS

	<u>Page</u>
Independent Auditors' Report	1
Financial statements:	
Statements of financial position	2
Statements of activities	3 - 4
Statements of functional expenses	5 - 6
Statements of cash flows	7
Notes to financial statements	8 - 15

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of The Southampton Animal Shelter Foundation Inc. (a nonprofit organization) (the "Foundation"), which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities, functional expenses and cash flows for the years 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 the financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Southampton Animal Shelter Foundation Inc. as of December 31, 2018 and 2017, 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.

Nussbaum Berg Klein & Wolpow, CPAs LLP

Melville, New York
March 26, 2019

THE SOUTHAMPTON ANIMAL SHELTER FOUNDATION INC.

STATEMENTS OF FINANCIAL POSITION

AS OF DECEMBER 31, 2018 AND 2017

ASSETS

	<u>2018</u>	<u>2017</u>
Assets:		
Cash and cash equivalents	\$ 5,826,353	\$ 2,719,734
Investments	1,653,476	837,686
Other receivable	10,495	54,678
Prepaid expenses	41,535	25,786
Property and equipment, net	171,854	233,337
Deposits	<u>25,000</u>	<u>29,600</u>
Total assets	<u>\$ 7,728,713</u>	<u>\$ 3,900,821</u>

LIABILITIES AND NET ASSETS

Liabilities, accrued expenses	<u>\$ 117,876</u>	<u>\$ 97,817</u>
Net assets:		
Without donor restrictions	3,634,587	3,266,998
With donor restrictions	<u>3,976,250</u>	<u>536,006</u>
Total net assets	<u>7,610,837</u>	<u>3,803,004</u>
Total liabilities and net assets	<u>\$ 7,728,713</u>	<u>\$ 3,900,821</u>

See notes to financial statements.

THE SOUTHAMPTON ANIMAL SHELTER FOUNDATION INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues and other support:			
Contributions	\$ 1,119,054	\$ 4,010,000	\$ 5,129,054
Bequests	29,598	50,208	79,806
Fundraising events	\$ 700,777		
Direct fundraising costs	<u>(248,279)</u>	-	452,498
Grants	15,000	27,500	42,500
Shelter services	159,113	-	159,113
Veterinary clinic	493,385	-	493,385
Community outreach	3,615	-	3,615
Thrift shop sales	8,787	-	8,787
Investment income (loss)	125,435	(110,911)	14,524
Other	3,634	-	3,634
Net assets released from restrictions	<u>536,553</u>	<u>(536,553)</u>	<u>-</u>
 Total revenues and other support	 <u>2,946,672</u>	 <u>3,440,244</u>	 <u>6,386,916</u>
Expenses:			
Program services:			
Shelter services	1,358,227	-	1,358,227
Veterinary clinic	589,493	-	589,493
Community outreach	<u>130,307</u>	<u>-</u>	<u>130,307</u>
 Total program services	 <u>2,078,027</u>	 <u>-</u>	 <u>2,078,027</u>
Supporting services:			
Management and general services	377,852	-	377,852
Fundraising activities	99,360	-	99,360
Thrift shop	<u>23,844</u>	<u>-</u>	<u>23,844</u>
 Total supporting services	 <u>501,056</u>	 <u>-</u>	 <u>501,056</u>
 Total expenses	 <u>2,579,083</u>	 <u>-</u>	 <u>2,579,083</u>
 Increase in net assets	 367,589	 3,440,244	 3,807,833
Net assets, beginning of year	<u>3,266,998</u>	<u>536,006</u>	<u>3,803,004</u>
Net assets, end of year	<u>\$ 3,634,587</u>	<u>\$ 3,976,250</u>	<u>\$ 7,610,837</u>

See notes to financial statements.

THE SOUTHAMPTON ANIMAL SHELTER FOUNDATION INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues and other support:			
Contributions	\$ 1,138,165	\$ 100,350	\$ 1,238,515
Bequests	1,017,145	499,397	1,516,542
Fundraising events	\$ 839,769		
Direct fundraising costs	<u>(254,047)</u>	-	585,722
Grants	30,000	10,000	40,000
Shelter services	167,715	-	167,715
Veterinary clinic	410,700	-	410,700
Community outreach	2,950	-	2,950
Thrift shop sales	129,021	-	129,021
Investment income	69,139	-	69,139
Other	5,746	-	5,746
Net assets released from restrictions	<u>77,241</u>	<u>(77,241)</u>	<u>-</u>
 Total revenues and other support	 <u>3,633,544</u>	 <u>532,506</u>	 <u>4,166,050</u>
Expenses:			
Program services:			
Shelter services	1,470,282	-	1,470,282
Veterinary clinic	604,689	-	604,689
Community outreach	<u>162,865</u>	<u>-</u>	<u>162,865</u>
 Total program services	 <u>2,237,836</u>	 <u>-</u>	 <u>2,237,836</u>
Supporting services:			
Management and general services	283,187	-	283,187
Fundraising activities	58,573	-	58,573
Thrift shop	<u>135,683</u>	<u>-</u>	<u>135,683</u>
 Total supporting services	 <u>477,443</u>	 <u>-</u>	 <u>477,443</u>
 Total expenses	 <u>2,715,279</u>	 <u>-</u>	 <u>2,715,279</u>
 Increase in net assets	 918,265	 532,506	 1,450,771
Net assets, beginning of year	<u>2,348,733</u>	<u>3,500</u>	<u>2,352,233</u>
Net assets, end of year	<u>\$ 3,266,998</u>	<u>\$ 536,006</u>	<u>\$ 3,803,004</u>

See notes to financial statements.

THE SOUTHAMPTON ANIMAL SHELTER FOUNDATION INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018

	Program Services				Supporting Services				Total Expenses
	Shelter Services	Veterinary Clinic	Community Outreach	Total Program Services	Management and General Services	Fundraising Activities	Thrift Shop	Total Supporting Services	
Salaries	\$ 794,079	\$ 304,370	\$ 76,073	\$ 1,174,522	\$ 179,355	\$ 52,660	\$ 7,636	\$ 239,651	\$ 1,414,173
Payroll taxes	73,851	28,646	6,411	108,908	15,020	4,325	1,054	20,399	129,307
Employee benefits	74,583	16,314	9,921	100,818	14,722	2,097	-	16,819	117,637
Total salaries and related expenses	942,513	349,330	92,405	1,384,248	209,097	59,082	8,690	276,869	1,661,117
Pet supplies and medicine	70,860	102,106	775	173,741	-	-	-	-	173,741
Outside services	85,133	9,265	5,987	100,385	25,318	14,938	1,498	41,754	142,139
Insurance	58,230	18,624	7,351	84,205	22,335	2,504	341	25,180	109,385
Depreciation and amortization	48,839	40,000	1,651	90,490	3,357	781	-	4,138	94,628
Occupancy, utilities and storage	53,167	11,209	8,167	72,543	2,030	332	11,166	13,528	86,071
Office and miscellaneous	38,049	14,425	3,771	56,245	14,809	6,441	1,999	23,249	79,494
Professional fees	-	-	-	-	74,560	-	-	74,560	74,560
Postage and printing	7,694	1,913	3,827	13,434	19,964	14,519	-	34,483	47,917
Cleaning and maintenance	36,057	2,905	666	39,628	111	27	150	288	39,916
Veterinary and hospital costs	-	25,912	-	25,912	-	-	-	-	25,912
Other	9,582	9,700	3,456	22,738	2,332	736	-	3,068	25,806
Advertising	8,103	4,104	2,251	14,458	3,939	-	-	3,939	18,397
Total expenses	\$ 1,358,227	\$ 589,493	\$ 130,307	\$ 2,078,027	\$ 377,852	\$ 99,360	\$ 23,844	\$ 501,056	\$ 2,579,083

See notes to financial statements.

THE SOUTHAMPTON ANIMAL SHELTER FOUNDATION INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017

	Program Services				Supporting Services				Total Expenses
	Shelter Services	Veterinary Clinic	Community Outreach	Total Program Services	Management and General Services	Fundraising Activities	Thrift Shop	Total Supporting Services	
Salaries	\$ 934,390	\$ 299,854	\$ 101,107	\$ 1,335,351	\$ 117,401	\$ 22,635	\$ 69,857	\$ 209,893	\$ 1,545,244
Payroll taxes	82,204	25,701	8,645	116,550	9,327	1,733	6,401	17,461	134,011
Employee benefits	81,058	21,426	10,173	112,657	11,171	2,189	-	13,360	126,017
Total salaries and related expenses	1,097,652	346,981	119,925	1,564,558	137,899	26,557	76,258	240,714	1,805,272
Pet supplies and medicine	85,816	120,757	-	206,573	-	-	-	-	206,573
Insurance	62,914	17,943	8,281	89,138	16,971	1,128	3,030	21,129	110,267
Occupancy, utilities and storage	47,675	9,951	7,251	64,877	1,216	295	43,506	45,017	109,894
Outside services	48,891	20,305	12,018	81,214	12,078	12,535	1,723	26,336	107,550
Depreciation and amortization	44,458	36,664	1,690	82,812	3,667	800	-	4,467	87,279
Professional fees	-	-	-	-	74,000	-	-	74,000	74,000
Office and miscellaneous	30,704	12,486	4,133	47,323	12,308	7,848	4,388	24,544	71,867
Cleaning and maintenance	33,929	4,280	2,901	41,110	591	135	3,158	3,884	44,994
Advertising	10,754	2,324	4,147	17,225	10,424	628	2,527	13,579	30,804
Postage and printing	4,291	1,073	2,144	7,508	12,564	8,329	759	21,652	29,160
Veterinary and hospital costs	-	24,521	-	24,521	-	-	-	-	24,521
Other	3,198	7,404	375	10,977	1,469	318	334	2,121	13,098
Total expenses	\$ 1,470,282	\$ 604,689	\$ 162,865	\$ 2,237,836	\$ 283,187	\$ 58,573	\$ 135,683	\$ 477,443	\$ 2,715,279

See notes to financial statements.

THE SOUTHAMPTON ANIMAL SHELTER FOUNDATION INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
Operating activities:		
Increase in net assets	\$ 3,807,833	\$ 1,450,771
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	94,628	87,279
Donated stock included in contributions	(4,397,122)	(280,516)
Unrealized gain on investments	(78,827)	(49,176)
Realized loss on sale of investments	119,108	-
Changes in operating assets and liabilities:		
Contribution receivable	-	255,000
Other receivable	44,183	(54,678)
Prepaid expenses	(15,749)	(2,721)
Deposits	4,600	-
Accrued expenses	20,059	(6,142)
Net cash provided by (used in) operating activities	<u>(401,287)</u>	<u>1,399,817</u>
Investing activities:		
Purchase of property and equipment	(33,145)	(47,597)
Proceeds from sale of investments	3,806,846	-
Purchase of investments	<u>(265,795)</u>	<u>(507,994)</u>
Net cash provided by (used in) investing activities	<u>3,507,906</u>	<u>(555,591)</u>
Net increase in cash	3,106,619	844,226
Cash and cash equivalents, beginning of year	<u>2,719,734</u>	<u>1,875,508</u>
Cash and cash equivalents, end of year	<u>\$ 5,826,353</u>	<u>\$ 2,719,734</u>

See notes to financial statements.

THE SOUTHAMPTON ANIMAL SHELTER FOUNDATION INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

1. **Nature of Organization and Summary of Significant Accounting Policies**

Nature of Organization

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

Basis of Accounting

The financial statements of the Foundation are prepared on the accrual method of accounting in accordance with accounting principles generally accepted in the United States of America.

Cash and Cash Equivalents

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.

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, 2018 and 2017, respectively.

THE SOUTHAMPTON ANIMAL SHELTER FOUNDATION INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

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

Investments

Investments are reported at fair value based on quoted market prices. Unrealized and realized gains and losses are included in the accompanying statements of activities. Investment expenses, such as custodial, commission, and investment advisory fees, are netted against investment return in the statements of activities.

Property and Equipment, net

The Foundation's property and equipment are being depreciated over each assets remaining useful life. The Foundation's leasehold improvements are being amortized over the remaining life of the lease.

Volunteers and Donated Services

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

Income Taxes

The Foundation qualifies as a tax exempt not-for-profit organization under Section 501(c)(3) of the Internal Revenue Code and as a not-for-profit corporation under the laws of New York State. Accordingly, no provision for federal or state income taxes is required. The Internal Revenue Service has determined that the Foundation is a qualified charitable organization to which contributions are eligible for deduction by individual donors as described under Section 170 of the Internal Revenue Code. The Foundation has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements. The Foundation is currently open to audit under the statute of limitations by the federal and state jurisdictions for the years subsequent to 2014.

Advertising and Promotional Expenses

Advertising and promotional costs are expensed as incurred and totaled \$18,397 and \$30,804 for the years ended December 31, 2018 and 2017, respectively.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

THE SOUTHAMPTON ANIMAL SHELTER FOUNDATION INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

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

Revenue Recognition

The Foundation recognizes revenue from shelter operations in the period services are provided. The Foundation recognizes revenue from fundraising events and other contributions in the period amounts are received or promised, net of any allowance for uncollectible amounts. Contributions and grants are considered to be 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.

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.

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 restriction and reported in the statements of activities and changes in net assets as net assets released from restrictions.

See Notes 8 and 9 for more information on the composition of net assets with donor restrictions and the release of restrictions, respectively.

Functional Allocation of Expenses

The statements of functional expenses present expenses by function and natural classification. Expenses directly attributable to a specific functional area of the Foundation are reported as expenses of those functional areas. A portion of General and Administrative costs that benefit multiple functional areas (indirect costs) have been allocated across Programs and Supporting Services.

THE SOUTHAMPTON ANIMAL SHELTER FOUNDATION INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

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

Adopted Accounting Pronouncements

In August 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2016-14 *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, which decreases the number of net assets classes from three to two. The new classes will be *net assets with donor restrictions* and *net assets without donor restrictions*. In addition, not-for-profits will be required to provide, in the notes, qualitative information on how it manages its liquid available resources and liquidity risks. The effective date of this pronouncement is for annual financial statements issued for fiscal years beginning after December 15, 2017, and for interim periods within fiscal years beginning after December 15, 2018. The Foundation adopted this ASU as of and for the year ended December 31, 2018 with retrospective application for the 2017 financial statements.

Recent Accounting Pronouncements

In August 2018, the FASB issued ASU 2018-13 *Fair Value Measurements (Topic 820): Framework - Changes to Disclosure Requirements for Fair Value Measurement*, which modifies and adds certain disclosure requirements of ASC Topic 820. The ASU is effective for all entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. The Foundation is currently evaluating the impact adoption would have on the Foundation’s financial statements.

Subsequent Events

The Foundation has evaluated subsequent events for recognition or disclosure through the date these financial statements were available to be issued, March 26, 2019.

2. **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 SOUTHAMPTON ANIMAL SHELTER FOUNDATION INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

2. Investments and Fair Value Measurements (Continued)

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. These levels are described below:

- 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.

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, 2018 and 2017 according to the valuation techniques the Foundation used to determine their fair values:

	Fair Value at December 31, 2018	Fair Value Measurements Using Inputs Considered as		
		Level 1	Level 2	Level 3
Cash and cash equivalents	\$ 5,826,353	\$ 5,826,353	\$ -	\$ -
Investments consisting of equity securities and mutual funds	<u>1,653,476</u>	<u>1,653,476</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 7,479,829</u>	<u>\$ 7,479,829</u>	<u>\$ -</u>	<u>\$ -</u>

	Fair Value at December 31, 2017	Fair Value Measurements Using Inputs Considered as		
		Level 1	Level 2	Level 3
Cash and cash equivalents	\$ 2,719,734	\$ 2,719,734	\$ -	\$ -
Investments consisting of equity securities and mutual funds	<u>837,686</u>	<u>837,686</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 3,557,420</u>	<u>\$ 3,557,420</u>	<u>\$ -</u>	<u>\$ -</u>

THE SOUTHAMPTON ANIMAL SHELTER FOUNDATION INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

3. **Economic Dependence and Contributions**

Since its inception, the Foundation has relied on, and has been economically dependent on two major related donors for a significant portion of its cash flow requirements. During 2018, the chairwoman and two entities affiliated with the chairwoman donated \$4,565,743 to the Foundation. During 2017, the chairwoman and an entity affiliated with the chairwoman donated \$755,393 to the Foundation.

4. **Property and Equipment, net**

Property and equipment, net consisted of the following at December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Furniture & fixtures	\$ 31,074	\$ 27,222
Computer equipment and software	65,840	65,840
Vehicles	160,463	160,463
Medical equipment	27,509	25,069
Leasehold improvements	<u>300,311</u>	<u>273,458</u>
	585,197	552,052
Less: accumulated depreciation and amortization	<u>(413,343)</u>	<u>(318,715)</u>
Property and equipment, net	<u>\$ 171,854</u>	<u>\$ 233,337</u>

The Foundation recorded depreciation expense for the years ended December 31, 2018 and 2017 of \$94,628 and \$87,279, respectively.

5. **Contributed Goods and Services**

In 2018 and 2017, 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, 2018 and 2017 based on the amounts received from the proceeds of the auctions. The chairwoman paid for certain costs that are ordinary and necessary to the operation of the Foundation aggregating approximately \$3,514 in 2018 and \$5,003 in 2017. A board member donated legal services in 2018 valued at \$3,560 in connection with a bequest. These amounts are included in contribution revenue for the years ended December 31, 2018 and 2017, respectively.

6. **Commitments and Contingencies**

Operating Lease

Effective April 2, 2018, the Foundation terminated an operating lease agreement for thrift shop space. Rent expense for 2018 and 2017 for the thrift shop, inclusive of real estate taxes and insurance, is \$10,248 and \$33,665, respectively.

THE SOUTHAMPTON ANIMAL SHELTER FOUNDATION INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

7. **Agreement Between the Foundation and the Town of Southampton**

The Foundation's agreement with the Town for the operation of the animal shelter is in effect through December 31, 2020. The Foundation is not required to pay rent to the Town during the term of the agreement, and the Foundation has not determined or recorded the fair value of the rent. Under the agreement, the Town is responsible for all necessary structural repairs and maintenance and repair of the shelter's exterior and grounds. In connection with 2017 repairs to the kennel, the Town has reimbursed the Foundation for expenditures of \$18,458.

The Town is also responsible for maintaining various service contracts for the facility and the Town shall pay for electric and gas service as needed during the term of the agreement. For the years ended December 31, 2018 and 2017, the Town paid \$71,915 and \$63,846, respectively, for such electric and gas service. Additionally, the Town shall pay the Foundation \$33,600 per year for the boarding of stray animals delivered to the shelter by the Town. The Town has agreed to contribute to the Foundation the sum of \$250,000 for 2019 and \$250,000 for 2020 in order to assist the Foundation in discharging its responsibilities under the agreement. During 2018 and 2017, the Town contributed \$225,000 and \$200,000, respectively, 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.

8. **Net Assets with Donor Restrictions**

Net assets with donor restrictions are restricted for the following purposes or periods as follows:

	<u>2018</u>	<u>2017</u>
Capital Expenditures and Improvements	\$ 3,889,089	\$ -
Animal Care and Adoption Program	50,208	-
Humane Education Program	22,150	7,400
Patiently Waiting Pet Project	13,630	92,203
Age-Related Medical Support for Senior Dogs For The Benefit of Dogs	1,173	-
	<u>-</u>	<u>436,403</u>
Total net assets with donor restrictions	<u>\$ 3,976,250</u>	<u>\$ 536,006</u>

The various purposes of the above donor restricted amounts are as follows:

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

Animal Care and Adoption Program -To support the needs in terms of care, medical and enrichment of dogs as they wait for their forever homes.

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

Patiently Waiting Pet Project - To provide animals who have been resident at the shelter over 90 days with incremental training and behavior support and specific medical care post-adoption.

THE SOUTHAMPTON ANIMAL SHELTER FOUNDATION INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

8. Net Assets with Donor Restrictions (Continued)

Age-Related Medical Support for Senior Dogs - To provide incremental medical support for dogs over 7 years old.

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

Alternative Placement of Dogs - To provide incremental training for dogs whose size and strength make them better candidates as service dogs.

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>2018</u>	<u>2017</u>
For The Benefit of Dogs	\$ 436,403	\$ 62,994
Patiently Waiting Pet Project	78,573	8,147
Alternative Placement of Dogs	15,000	-
Age-Related Medical Support for Senior Dogs	3,827	-
Humane Education Program	2,750	2,600
Other Supporting Services	<u>-</u>	<u>3,500</u>
Net assets released from restrictions	<u>\$ 536,553</u>	<u>\$ 77,241</u>

10. 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>2018</u>	<u>2017</u>
Cash and cash equivalents	\$ 5,826,353	\$ 2,719,734
Investments	1,653,476	837,686
Other receivable	<u>10,495</u>	<u>54,678</u>
Total financial assets available within one year	7,490,324	3,612,098
Less:		
Amounts unavailable for general expenditures within one year, due to:		
Restricted by donors with purpose restrictions	<u>(3,976,250)</u>	<u>(536,006)</u>
Total financial assets available to management for general expenditure within one year	<u>\$ 3,514,074</u>	<u>\$ 3,076,092</u>

Liquidity Management

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