

THE SOUTHAMPTON ANIMAL SHELTER FOUNDATION INC.

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**

**AS OF AND FOR THE YEARS ENDED
DECEMBER 31, 2019 AND 2018**

THE SOUTHAMPTON ANIMAL SHELTER FOUNDATION INC.
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

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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, 2019 and 2018, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements (collectively, 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, 2019 and 2018, 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
November 13, 2020

THE SOUTHAMPTON ANIMAL SHELTER FOUNDATION INC.

STATEMENTS OF FINANCIAL POSITION

AS OF DECEMBER 31, 2019 AND 2018

ASSETS

	<u>2019</u>	<u>2018</u>
Assets:		
Cash and cash equivalents	\$ 6,454,209	\$ 5,826,353
Investments, at fair value	2,616,911	1,653,476
Other receivables	47,002	10,495
Prepaid expenses	21,953	41,535
Property and equipment, net	112,615	171,854
Construction costs	31,804	-
Deposits	<u>25,000</u>	<u>25,000</u>
Total assets	<u>\$ 9,309,494</u>	<u>\$ 7,728,713</u>

LIABILITIES AND NET ASSETS

Liabilities, accrued expenses	<u>\$ 113,617</u>	<u>\$ 117,876</u>
Net assets:		
Without donor restrictions	3,960,636	3,634,587
With donor restrictions	<u>5,235,241</u>	<u>3,976,250</u>
Total net assets	<u>9,195,877</u>	<u>7,610,837</u>
Total liabilities and net assets	<u>\$ 9,309,494</u>	<u>\$ 7,728,713</u>

See notes to financial statements.

THE SOUTHAMPTON ANIMAL SHELTER FOUNDATION INC.

STATEMENTS OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Total</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>
Revenues and other support:			
Contributions	\$ 2,209,717	\$ 1,198,852	\$ 1,010,865
Bequests	250,002	-	250,002
Fundraising events	\$ 753,076		
Direct fundraising costs	<u>(207,818)</u>	464,258	81,000
Grants	39,500	10,000	29,500
Shelter services	141,084	141,084	-
Veterinary clinic	558,995	558,995	-
Community outreach	4,810	4,810	-
Investment income	532,132	452,549	79,583
Other	5,893	5,893	-
Net assets released from restrictions	<u>-</u>	<u>191,959</u>	<u>(191,959)</u>
 Total revenues and other support	 <u>4,287,391</u>	 <u>3,028,400</u>	 <u>1,258,991</u>
Expenses:			
Program services:			
Shelter services	1,392,476	1,392,476	-
Veterinary clinic	606,147	606,147	-
Community outreach	<u>93,448</u>	<u>93,448</u>	<u>-</u>
 Total program services	 <u>2,092,071</u>	 <u>2,092,071</u>	 <u>-</u>
Supporting services:			
Management and general services	434,137	434,137	-
Fundraising activities	<u>176,143</u>	<u>176,143</u>	<u>-</u>
 Total supporting services	 <u>610,280</u>	 <u>610,280</u>	 <u>-</u>
 Total expenses	 <u>2,702,351</u>	 <u>2,702,351</u>	 <u>-</u>
 Increase in net assets	 1,585,040	 326,049	 1,258,991
Net assets, beginning of year	<u>7,610,837</u>	<u>3,634,587</u>	<u>3,976,250</u>
Net assets, end of year	<u>\$ 9,195,877</u>	<u>\$ 3,960,636</u>	<u>\$ 5,235,241</u>

See notes to financial statements.

THE SOUTHAMPTON ANIMAL SHELTER FOUNDATION INC.

STATEMENTS OF ACTIVITIES (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2018

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

See notes to financial statements.

THE SOUTHAMPTON ANIMAL SHELTER FOUNDATION INC.
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019

	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	\$ 782,503	\$ 339,406	\$ 48,361	1,170,270	\$ 231,420	\$ 35,359	\$ 266,779	\$ 1,437,049
Payroll taxes	73,018	29,790	4,831	107,639	20,822	2,979	23,801	131,440
Employee benefits	85,715	15,469	3,256	104,440	18,224	1,872	20,096	124,536
Total salaries and related expenses	<u>941,236</u>	<u>384,665</u>	<u>56,448</u>	<u>1,382,349</u>	<u>270,466</u>	<u>40,210</u>	<u>310,676</u>	<u>1,693,025</u>
Outside services	122,629	7,365	6,976	136,970	74,806	53,788	128,594	265,564
Pet supplies and medicine	75,212	94,771	928	170,911	-	-	-	170,911
Office and miscellaneous	43,265	15,601	4,397	63,263	12,069	29,726	41,795	105,058
Insurance	51,817	17,724	5,705	75,246	23,148	1,482	24,630	99,876
Depreciation and amortization	49,260	34,121	1,530	84,911	2,838	709	3,547	88,458
Occupancy, utilities and storage	49,871	10,435	7,604	67,910	1,995	309	2,304	70,214
Postage and printing	1,673	392	2,325	4,390	8,084	44,585	52,669	57,059
Cleaning and maintenance	40,810	1,155	315	42,280	53	13	66	42,346
Professional fees	-	-	-	-	28,950	-	28,950	28,950
Veterinary and hospital costs	-	28,602	-	28,602	-	-	-	28,602
Other	8,457	7,880	4,804	21,141	6,677	477	7,154	28,295
Advertising	8,246	3,436	2,416	14,098	5,051	4,844	9,895	23,993
Total expenses	<u>\$ 1,392,476</u>	<u>\$ 606,147</u>	<u>\$ 93,448</u>	<u>\$ 2,092,071</u>	<u>\$ 434,137</u>	<u>\$ 176,143</u>	<u>\$ 610,280</u>	<u>\$ 2,702,351</u>

See notes to financial statements.

THE SOUTHAMPTON ANIMAL SHELTER FOUNDATION INC.
STATEMENTS OF FUNCTIONAL EXPENSES (CONTINUED)
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.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Operating activities:		
Increase in net assets	\$ 1,585,040	\$ 3,807,833
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	88,458	94,628
Donated stock included in contributions	(1,534,708)	(4,397,122)
Donated vehicle included in contributions	(18,512)	-
Unrealized gain on investments	(109,118)	(78,827)
Realized (gain) loss on sale of investments	(281,622)	119,108
Changes in operating assets and liabilities:		
Other receivables	(36,507)	44,183
Prepaid expenses	19,582	(15,749)
Deposits	-	4,600
Accrued expenses	(4,259)	20,059
Net cash used in operating activities	<u>(291,646)</u>	<u>(401,287)</u>
Investing activities:		
Purchase of property and equipment	(10,707)	(33,145)
Deferred construction costs	(31,804)	-
Proceeds from sale of investments	982,662	3,806,846
Purchase of investments	(20,649)	(265,795)
Net cash provided by investing activities	<u>919,502</u>	<u>3,507,906</u>
Net increase in cash, cash equivalents and restricted cash	627,856	3,106,619
Cash, cash equivalents and restricted cash, beginning of year	<u>5,826,353</u>	<u>2,719,734</u>
Cash, cash equivalents and restricted cash, end of year	<u>\$ 6,454,209</u>	<u>\$ 5,826,353</u>

See notes to financial statements.

THE SOUTHAMPTON ANIMAL SHELTER FOUNDATION INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

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 ("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.

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>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 1,218,968	\$ 1,850,103
Cash restricted to various programs (see Note 10)	<u>5,235,241</u>	<u>3,976,250</u>
Total	<u>\$ 6,454,209</u>	<u>\$ 5,826,353</u>

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.

THE SOUTHAMPTON ANIMAL SHELTER FOUNDATION INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

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

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, 2019 and 2018, respectively.

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 income in the statements of activities.

Property and Equipment, Net

The Foundation's property and equipment are being depreciated over each asset's 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 2016.

Advertising and Promotional Expenses

Advertising and promotional costs are expensed as incurred and totaled \$23,993 and \$18,397 for the years ended December 31, 2019 and 2018, respectively.

THE SOUTHAMPTON ANIMAL SHELTER FOUNDATION INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

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

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.

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.

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

See Notes 10 and 11 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, 2019 AND 2018

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

Adopted Accounting Pronouncements

In June 2018, FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958) - Clarifying the Scope and the Accounting Guidance for Contributions Made*. ASU 2018-08 clarifies how an entity determines whether a resource provider is participating in an exchange transaction by evaluating whether the resource provider is receiving commensurate value in return for the resources transferred. This ASU is effective for not-for-profit entities for fiscal years and interim periods beginning after June 15, 2018. The Foundation's adoption of ASU 2018-08 during 2019 did not have a material impact on its financial statements.

Recent Accounting Pronouncement

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 Accounting Standards Codification ("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 and related disclosures.

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 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 SOUTHAMPTON ANIMAL SHELTER FOUNDATION INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

2. Investments and Fair Value Measurements (Continued)

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, 2019 and 2018 according to the valuation techniques the Foundation used to determine their fair values:

	Fair Value at December 31, 2019	Fair Value Measurements Using Inputs Considered as		
		Level 1	Level 2	Level 3
Cash and cash equivalents	\$ 6,454,209	\$ 6,454,209	\$ -	\$ -
Investments consisting of equity securities and mutual funds	<u>2,616,911</u>	<u>2,616,911</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 9,071,120</u>	<u>\$ 9,071,120</u>	<u>\$ -</u>	<u>\$ -</u>

	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>

There have been no changes in the methodologies used at December 31, 2019 and 2018.

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 2019, the Chairwoman and an entity affiliated with the Chairwoman donated \$1,633,708 to the Foundation. During 2018, the Chairwoman and two entities affiliated with the Chairwoman donated \$4,565,743 to the Foundation.

4. Property and Equipment, Net

Property and equipment, net consisted of the following at December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Furniture & fixtures	\$ 36,669	\$ 31,074
Computer equipment and software	70,952	65,840
Vehicles	178,975	160,463
Medical equipment	27,509	27,509
Leasehold improvements	<u>300,311</u>	<u>300,311</u>
	614,416	585,197
Less: accumulated depreciation and amortization	<u>501,801</u>	<u>413,343</u>
Property and equipment, net	<u>\$ 112,615</u>	<u>\$ 171,854</u>

THE SOUTHAMPTON ANIMAL SHELTER FOUNDATION INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

4. **Property and Equipment, Net (Continued)**

The Foundation recorded depreciation expense for the years ended December 31, 2019 and 2018 of \$88,458 and \$94,628, respectively.

5. **Other Receivables**

Other receivables of \$47,002 and \$10,495 at December 31, 2019 and 2018, respectively, consist primarily of amounts due the Foundation for its mobile clinic operations totaling \$27,140 and \$9,495, respectively.

6. **Construction Costs**

In 2019, the Foundation expended \$31,804 for construction planning costs in connection with the expansion of its facilities.

7. **Contributed Goods and Services**

In 2019 and 2018, 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, 2019 and 2018 based on the amounts received from the proceeds of the auctions. In 2019, the Chairwoman contributed a vehicle with a value of \$18,512 and in 2018, the Chairwoman paid an aggregate of \$3,514 for certain costs that are ordinary and necessary to the operation of the Foundation. A board member donated legal services in 2018 valued at \$3,560 in connection with a bequest; there was no such contribution in 2019. All of these amounts are included in contribution revenue for the years ended December 31, 2019 and 2018, respectively.

8. **Commitments and Contingencies**

Operating Lease

Effective April 2, 2018, the Foundation terminated an operating lease agreement for thrift shop space and was released from all obligations thereunder. Rent expense for 2018 for the thrift shop, inclusive of real estate taxes and insurance, totaled \$10,248.

9. **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, maintenance and repair of the shelter's exterior and grounds. Currently, the Foundation and the Town are in negotiations to renew the agreement through 2021 with substantially similar terms.

THE SOUTHAMPTON ANIMAL SHELTER FOUNDATION INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

9. Agreement Between the Foundation and the Town of Southampton (Continued)

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, 2019 and 2018, the Town paid \$66,952 and \$71,915, 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 2020 in order to assist the Foundation in discharging its responsibilities under the agreement. During 2019 and 2018, the Town contributed \$250,000 and \$225,000, 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.

10. Net Assets with Donor Restrictions

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

	2019	2018
Capital Expenditures and Improvements	\$ 4,947,734	\$ 3,889,089
For the Benefit of Dogs	199,557	-
Veteran Program	60,000	-
Humane Education Program	16,950	22,150
Enclosed Dog Run	11,000	-
Animal Care and Adoption Program	-	50,208
Patiently Waiting Pet Project	-	13,630
Age-Related Medical Support for Senior Dogs	-	1,173
Total net assets with donor restrictions	\$ 5,235,241	\$ 3,976,250

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.

THE SOUTHAMPTON ANIMAL SHELTER FOUNDATION INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

10. Net Assets with Donor Restrictions (Continued)

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.

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.

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

Feral Cat Project - To spay and neuter feral cats in the community, preventing unwanted litters and promoting a healthier cat population.

Training Program Update - To enhance our training and enrichment program.

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

Animal Rescue - Earmarked for transportation and boarding of animals in need.

11. 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:

	2019	2018
For the Benefit of Dogs	\$ 50,443	\$ 436,403
Animal Care and Adoption Program	50,209	-
Capital Expenditures and Improvements	31,804	-
Feral Cat Project	22,500	-
Patiently Waiting Pet Project	13,630	78,573
Training Program Update	10,000	-
Animal Rescue	7,000	-
Humane Education Program	5,200	2,750
Age-Related Medical Support for Senior Dogs	1,173	3,827
Alternative Placement of Dogs	-	15,000
Total net assets released from donor restrictions	\$ 191,959	\$ 536,553

THE SOUTHAMPTON ANIMAL SHELTER FOUNDATION INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

12. 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>2019</u>
Cash and cash equivalents	\$ 6,454,209
Investments	2,616,911
Other receivables	<u>47,002</u>
Total financial assets available within one year	9,118,122
Less:	
Amounts unavailable for general expenditures within one year, due to:	
Restricted by donors with purpose restrictions	<u>5,235,241</u>
Total financial assets available to management for general expenditure within one year	<u>\$ 3,882,881</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.

13. Subsequent Events

The Foundation has evaluated subsequent events for recognition or disclosure through the date these financial statements were available to be issued, November 13, 2020.

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, 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. While it is unknown how long these conditions will last and what the complete financial effect will be to the Foundation, to date, the Foundation has experienced some adverse effects including not being able to hold its annual fundraising event.

In November 2020, the Foundation signed a contract, pending acceptance by the seller, to purchase a single-family residence for \$520,000. It is the intention of the Foundation to rent this property to its Executive Director at a fair market rate.