

**LITTLE SHELTER ANIMAL ADOPTION
CENTER INC.**

AUDITED FINANCIAL STATEMENTS

For the year ended December 31, 2012

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Kalmus, Siegel, Harris & Goldfarb, LLP

Certified Public Accountants

A Partnership Including Professional Corporations

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
Little Shelter Animal Adoption Center Inc.

We have audited the accompanying statement of financial position of Little Shelter Animal Adoption Center Inc., (a New York not-for-profit corporation) (the Organization) as of December 31, 2012, and the related statements of activities, cash flows, and functional expenses for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Little Shelter Animal Adoption Center Inc. as of December 31, 2012 and the changes in net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Kalmus, Siegel, Harris & Goldfarb, LLP
Kalmus, Siegel, Harris & Goldfarb, LLP
Garden City, New York
July 31, 2013



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LITTLE SHELTER ANIMAL ADOPTION CENTER INC.
STATEMENT OF FINANCIAL POSITION
December 31, 2012

ASSETS

CURRENT ASSETS

Cash and cash equivalents - unrestricted (Note 2)	\$ 454,706
Investments, at market (Note 3)	126,927
Employee loan	2,300
Prepaid expenses	28,353
Cash - restricted (Note 6)	-
	<u>612,286</u>

LONG-TERM INVESTMENTS (Note 4)	75,000
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PROPERTY AND EQUIPMENT (NET) (Note 5)	523,650
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OTHER ASSETS

Security deposits	<u>200</u>
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TOTAL ASSETS	<u><u>\$ 1,211,136</u></u>
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts and accrued expenses payable	\$ 281,573
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NET ASSETS

Unrestricted	929,563
Temporarily restricted	-
	<u>929,563</u>

TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 1,211,136</u></u>
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See auditor's report and notes to financial statements.

LITTLE SHELTER ANIMAL ADOPTION CENTER INC.
STATEMENT OF ACTIVITIES

For the year ended December 31, 2012

	<u>Total</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>
REVENUE, GAINS, AND OTHER SUPPORT:			
Support from the public:			
Contributions (Note 2)	\$ 2,080,671	\$ 2,080,671	\$ -
Bequests (Note 7)	354,289	354,289	-
Grants from organizations	85,625	40,625	45,000
Program service fees	119,607	119,607	-
Special event activities (net cost of direct benefit to donors of \$50,000)	162,712	162,712	-
Total support from the public	<u>2,802,904</u>	<u>2,757,904</u>	<u>45,000</u>
Investment income:			
Interest income	1,354	1,177	177
Dividend income	3,415	3,415	-
Unrealized investment gain (loss) (Note 3)	18,399	18,399	-
Long-term investment write down (Note 4)	(100,000)	(100,000)	-
Total investment income	<u>(76,832)</u>	<u>(77,009)</u>	<u>177</u>
Other income:			
Miscellaneous income	1,126	1,126	-
	<u>1,126</u>	<u>1,126</u>	<u>-</u>
TOTAL REVENUE, GAINS, AND OTHER SUPPORT	2,727,198	2,682,021	45,177
PROGRAM AND SUPPORTING SERVICES EXPENSES:			
Program services: (Note 10)			
Little Shelter Animal Adoption Center	1,398,748	1,373,748	25,000
Animal Welfare Education	546,478	546,478	-
Feral Cat Program	27,811	27,811	-
Dog Sanctuary	29,856	29,856	-
Shelternvale Pet Cemetery	1,197	1,197	-
Total program services	<u>2,004,090</u>	<u>1,979,090</u>	<u>25,000</u>
Supporting services:			
Fund raising	419,364	419,364	-
Management and general	76,386	76,386	-
Total supporting services	<u>495,750</u>	<u>495,750</u>	<u>-</u>
TOTAL PROGRAM & SUPPORTING SERVICES EXPENSES	2,499,840	2,474,840	25,000
CHANGE IN NET ASSETS BEFORE TRANSFERS	227,358	207,181	20,177
NET ASSETS, BEGINNING OF YEAR	702,205	654,365	47,840
NET ASSETS RELEASED FROM RESTRICTIONS	-	68,017	(68,017)
NET ASSETS, END OF YEAR	\$ 929,563	\$ 929,563	\$ -

See auditor's report and notes to financial statements.

LITTLE SHELTER ANIMAL ADOPTION CENTER INC.

STATEMENT OF CASH FLOWS

For the year ended December 31, 2012

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$	227,358
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation (Note 5)		33,800
(Increase) Decrease in other assets		
Prepaid expenses		(3,486)
Employee loans		(900)
Increase (Decrease) in current liabilities		
Accounts and accrued expenses payable		(47,178)
Net unrealized losses on investments (Notes 3&4)		81,601

NET CASH PROVIDED BY OPERATING ACTIVITIES 291,195

CASH FLOWS FROM INVESTING ACTIVITIES

Short-term investments	47,840
Investments in marketable securities (net)	(441)
Construction of building	(148,000)
Acquisition of equipment	(25,576)

NET CASH USED BY INVESTING ACTIVITIES (126,177)

NET INCREASE IN CASH & CASH EQUIVALENTS 165,018

BEGINNING CASH & CASH EQUIVALENTS 289,688

ENDING CASH & CASH EQUIVALENTS \$ 454,706

Supplemental disclosures for cash flow information:

Cash paid during the year for:

Interest	\$	-
Income taxes	\$	-

See auditor's report and notes to financial statements.

LITTLE SHELTER ANIMAL ADOPTION CENTER INC.

SCHEDULE OF FUNCTIONAL EXPENSES

For the year ended December 31, 2012

	<u>Total</u>	<u>Program Services</u>	<u>Management & General</u>	<u>Fund Raising</u>
Salaries	\$ 821,374	\$ 820,105	\$ 1,269	\$ -
Payroll Taxes	80,545	80,398	147	-
Total Salaries and Related Expenses	<u>901,919</u>	<u>900,503</u>	<u>1,416</u>	<u>-</u>
Professional fund raising fees	75,250	-	-	75,250
Advertising	6,938	3,304	-	3,634
Bank and credit card fees	22,623	365	369	21,889
Rubbish removal & janitorial	20,263	20,263	-	-
Cemetery expenses	1,197	1,197	-	-
Depreciation expense	33,800	33,558	242	-
Educational materials and mailings (Note 9)	546,478	546,478	-	-
Insurance	93,018	90,781	2,237	-
Shelter supplies and expenses	117,621	117,621	-	-
Licenses, dues, subscriptions, & registrations	4,935	196	1,559	3,180
Printing and mailing expenses (Note 9)	182,159	-	-	182,159
Medical-Veterinarian	165,135	165,135	-	-
Office and miscellaneous expenses	9,274	1,609	7,262	403
Computer expenses	25,041	-	25,041	-
Repairs and maintenance	18,295	18,295	-	-
Rental of equipment	8,859	-	8,859	-
Payroll service fees	10,366	10,366	-	-
Postage	8,660	-	3,751	4,909
Telephone	4,674	2,336	1,169	1,169
Utilities	28,301	28,301	-	-
Legal and professional fees	8,769	-	4,350	4,419
Feral cat expenses	27,811	27,811	-	-
Dog training	5,745	5,745	-	-
Volunteer program services	1,816	370	1,446	-
Fulfillment services	81,453	-	-	81,453
Bookkeeping expenses	18,385	-	18,385	-
Dog sanctuary	29,856	29,856	-	-
Charitable contribution	300	-	300	-
Fund raising event expenses	40,899	-	-	40,899
	<u>\$ 2,499,840</u>	<u>\$ 2,004,090</u>	<u>\$ 76,386</u>	<u>\$ 419,364</u>

See auditor's report and notes to financial statements.

LITTLE SHELTER ANIMAL ADOPTION CENTER INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

NOTE 1 – ORGANIZATION

Little Shelter Animal Adoption Center Inc. (“the Organization”) (www.littleshelter.com) is a non-profit; no kill animal shelter located on six wooded acres in Huntington, New York. It was organized under the name of Huntington Dog Club Inc. in New York in 1929 as a nonprofit corporation for the purpose of sheltering stray, abused and abandoned animals. In January 2000 the corporation legally changed its name.

Services provided include food, shelter, medical care and finding homes for the animals. The shelter is located on property owned by Little Shelter Animal Adoption Center Inc. Little Shelter is the only organization outside New York City that is part of the Mayor’s Alliance for NYC animals.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The financial statements of Little Shelter Animal Adoption Center Inc. have been prepared on the accrual basis of accounting. Contributions are recorded when received unless susceptible to accrual.

BASIS OF PRESENTATION

The Organization has adopted (FASB ASC 958, formerly SFAS117), Financial Statements of Not-For-Profit-Organizations. Under FASB ASC 958, the Organization is required to report information regarding its financial position and activities according to three classes of net assets; unrestricted net assets, temporarily restricted assets and permanently restricted net assets. The Organization has no permanently restricted net assets.

Unrestricted net assets represent the part of net assets that are neither permanently restricted nor temporarily restricted by donor imposed time or purpose stipulations.

USE OF ESTIMATES

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

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash held in checking and money market accounts and certificates of deposits with maturities of less than 90 days except if those instruments are used to temporarily invest endowment funds until appropriate investments are identified. At year-end and throughout the year, the Organization’s cash balances were deposited in several banks. Management believes the Organization is not exposed to any significant credit risk on cash and cash equivalents.

LITTLE SHELTER ANIMAL ADOPTION CENTER INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

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

CONCENTRATIONS OF CREDIT AND MARKET RISK

Financial instruments that potentially expose the Organization to concentrations of credit and market risk consist primarily of cash equivalents and investments. Cash equivalents are maintained at high-quality financial institutions and credit exposure is not limited to any one institution. Bank account balances at December 31, 2012 were below FDIC limits. The Organization has not experienced any losses on its cash equivalents. As of December 31, 2012, the Organization's investments do not represent significant concentrations of market risk inasmuch as the Organization's investment portfolio is adequately diversified among issuers.

CONTRIBUTIONS

Contributions are recorded based upon donor restrictions in the appropriate net asset category at the time the pledge is made. When the donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities and change in net assets as net assets released from restrictions.

NET ASSET CATEGORIES

Permanently restricted net assets are those that may never be spent by the Organization, including gifts of endowment, as well as the earnings on those assets when permanently restricted by the donor. Also included in this category are contributions receivable and living trust principal that are permanently restricted upon redemption or maturity, and undeveloped land which is subject to a perpetual conservation easement prohibiting future commercial use.

Temporarily restricted net assets carry restrictions that expire upon the passage of a prescribed period or upon the occurrence of a stated event as specified by the donor. Included in this category are gifts held by the Organization pending their use in accordance with donor stipulations, unexpended gifts for capital projects, term endowments, and pledges and living trust agreements where the principal is expendable upon redemption or maturity. At December 31, 2012 there are no temporarily restricted funds.

Unrestricted net assets, as defined by The Financial Accounting Standards Board (FASB), are composed of all resources not included in the above categories. Included are expendable resources used to support the Organization's core activities of sheltering stray, abused and abandoned animals. Donor-restricted contributions that are received and expended in the same year are classified as unrestricted. Donor-restricted resources intended for capital projects are released and reclassified as unrestricted support when spent. All expenses are recorded as a reduction to unrestricted net assets.

INCOME TAXES

The Little Shelter Animal Adoption Center Inc. is exempt from income taxes under Section 501 (c)(3) of the Internal Revenue Code and from New York State Income Taxes under Article 7-A of the Executive Law.

LITTLE SHELTER ANIMAL ADOPTION CENTER INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

NOTE 3 – INVESTMENTS

Investment income is comprised of the following:

Dividend and interest	\$ 4,769
Unrealized gain on investments	<u>18,399</u>
Net investment gain from financial investments	\$ 23,168

The fair value hierarchy defines three levels as follows:

Level 1: Valuations based on quoted prices (unadjusted) in an active market that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

Level 2: Valuations based on observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities, quoted prices in inactive markets, or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data.

Level 3: Valuations based on unobservable inputs are used when little or no market data is available. The fair value hierarchy gives lowest priority to Level 3 inputs.

In determining the fair value of its investments, the Organization utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible as well as considers counterparty credit risk in its assessment of fair value (see Note 2 “Fair Value Measurements”).

Financial assets carried at fair value at December 31, 2012 are classified in the table in one of the three levels as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Equity securities	\$ 73,270	\$ -	\$ 73,270
Real estate investment trusts	<u>-</u>	<u>53,657</u>	<u>53,657</u>
Total	<u>\$ 73,270</u>	<u>\$ 53,657</u>	<u>\$ 126,927</u>

NOTE 4 – LONG-TERM INVESTMENTS

The Organization has a 6.14% ownership in a land development project in Lawndale, North Carolina. Due to the current real estate market conditions the management has reduced the carrying value to \$75,000 which it believes more accurately reflects the market value. Accordingly, we recorded a \$100,000 long-term investment write down for the year ending December 31, 2012.

LITTLE SHELTER ANIMAL ADOPTION CENTER INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

NOTE 5 – PROPERTY, PLANT AND EQUIPMENT

LAND, BUILDING AND IMPROVEMENTS

Land, building and improvements are stated at cost or at fair market value when donated. Depreciation is computed on a straight-line basis over an estimated useful life ranging from 5 to 40 years. Maintenance and repairs are charged to expense as incurred. Major renewals and betterments that extend the useful lives of property and equipment are capitalized. Depreciation expense was \$33,800 for the year ended December 31, 2012.

Property and equipment consist of the following:

Land	\$ 98,521
Buildings & improvements	598,376
Van	55,289
Equipment	<u>131,690</u>
	883,876
Less: Accumulated Depreciation	<u>(360,226)</u>
	<u>\$ 523,650</u>

NOTE 6 – TEMPORARILY RESTRICTED ASSETS

The organization received grants of \$45,000 in 2012 which were restricted for medical expenditures and capital improvements. At the beginning of 2012, the total classified as temporarily restricted was \$47,840 in which all funds were used for their specific uses and at the end of 2012 there is no longer any funds classified as temporarily restricted.

NOTE 7 – CONTRIBUTION OF AN INTEREST IN AN ESTATE

The organization is the beneficiary of a will in which the total realizable amount is not presently determinable. The Organization will receive 13% of the net sales price of residential property located in Upstate New York. At the end of 2012 this property has not been sold. Such amounts are recorded when the proceeds are measurable.

NOTE 8 – DONATED SERVICES AND MATERIALS

The Organization receives donated services from a variety of unpaid volunteers assisting the Organization with various events and programs. No amounts have been recognized in the accompanying statement of activities because the criteria for recognition of such volunteer effort under FASB ASC 958-605 (formerly SFAS No. 116) have not been satisfied.

LITTLE SHELTER ANIMAL ADOPTION CENTER INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

NOTE 9 – FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various programs, fund raising and other activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and fund raising activities benefited.

During 2012, the Organization conducted program activities that also included requests for contributions. Those activities included direct mail campaigns. The costs of those activities included a total of \$728,637 of joint costs, which were not specifically identifiable to either the program component or the fund raising component of the activities. These joint costs were allocated \$546,478 to program activities and \$182,159 to fundraising.

NOTE 10 – DESCRIPTION OF PROGRAMS

The shelter is dedicated to saving animals from kill shelters and providing education to the public to properly care for pets in their homes and communities. The shelter hopes to end pet overpopulation and place animals in loving homes.

Shelternvale Pet Cemetery - provides a secure, serene resting place for pets

Dog Sanctuary – established as a lifetime care facility on 110 acres in Lisle, New York for those dogs who have been overlooked for adoption for behavioral or medical reasons. Provides a place where these animals can live their lives in comfort, with love and dignity.

Feral Cat Program – temporarily removes cats from their colonies, brings them to cooperating veterinarians for examination, vaccination and sterilization, and then returns these cats to their original location.

Animal Welfare Education – through informative mailings, addresses the problems that create overpopulation, the importance of spaying and neutering and pet responsibility. Have an active education program that goes into schools and organizations. Also participate in various community events and hosts many events at the shelter.

Little Shelter Animal Adoption Center – majority of the animals have been rescued from kill shelters on Long Island and New York City. These animals then receive the highest quality medical care, are spay/neutered, socialized, rehabilitated and loved until adoption.