

**LITTLE SHELTER ANIMAL ADOPTION
CENTER INC.**

AUDITED FINANCIAL STATEMENTS

For the year ended December 31, 2013

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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 Directors
Little Shelter Animal Adoption Center, Inc.
Huntington, New York 11743

We have audited the accompanying financial statements of Little Shelter Animal Adoption Center, Inc. (a New York not-for-profit corporation) (the Organization), which comprise the statement of financial position as of December 31, 2013 and the related statements of activities, cash flows, and functional expenses for the year 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 these 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.

Auditor's Responsibility

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 from 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



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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 Little Shelter Animal Adoption Center, Inc. as of December 31, 2013, and the changes in its 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

October 31, 2014

LITTLE SHELTER ANIMAL ADOPTION CENTER INC.
STATEMENT OF FINANCIAL POSITION
December 31, 2013

ASSETS

CURRENT ASSETS

Cash and cash equivalents - unrestricted (Note 2)	\$ 402,594
Investments, at market (Note 3)	346,654
Employee loans	2,815
Prepaid expenses	17,741
Insurance proceeds and other receivables (Note 6)	23,068
	<u>792,872</u>

LONG-TERM INVESTMENTS (Note 4)	25,000
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PROPERTY AND EQUIPMENT (NET) (Note 5)	495,536
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OTHER ASSETS

Security deposits	<u>200</u>
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TOTAL ASSETS	<u><u>\$ 1,313,608</u></u>
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts and accrued expenses payable	\$ 276,024
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NET ASSETS

Unrestricted	1,037,584
Temporarily restricted (Note 6)	-
	<u>1,037,584</u>

TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 1,313,608</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, 2013

	<u>Total</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>
REVENUE, GAINS, AND OTHER SUPPORT:			
Support from the public:			
Contributions (Note 2)	\$ 2,181,724	\$ 2,181,724	\$ -
Bequests	186,856	186,856	-
Grants from organizations	104,272	89,872	14,400
Program service fees	94,726	94,726	-
Special event activities, net of direct expenses	63,327	63,327	-
Total support from the public	<u>2,630,905</u>	<u>2,616,505</u>	<u>14,400</u>
Investment income:			
Interest income	2,907	2,907	-
Dividend income	5,407	5,407	-
Investment gain (loss) (Note 3)	5,207	5,207	-
Unrealized investment gain (loss) (Note 3)	14,913	14,913	-
Long-term investment write down (Note 4)	(50,000)	(50,000)	-
Total investment income	<u>(21,566)</u>	<u>(21,566)</u>	<u>-</u>
Other income:			
Insurance proceeds (Note 10)	71,636	71,636	-
Miscellaneous income	663	663	-
	<u>72,299</u>	<u>72,299</u>	<u>-</u>
TOTAL REVENUE, GAINS, AND OTHER SUPPORT	2,681,638	2,667,238	14,400
PROGRAM AND SUPPORTING SERVICES EXPENSES:			
Program services: (Note 10)			
Little Shelter Animal Adoption Center	1,482,605	1,482,605	-
Animal Welfare Education	600,649	600,649	-
Feral Cat Program	28,418	28,418	-
Dog Sanctuary	36,567	36,567	-
Shelternvale Pet Cemetery	630	630	-
Total program services	<u>2,148,869</u>	<u>2,148,869</u>	<u>-</u>
Supporting services:			
Fund raising	348,228	348,228	-
Management and general	76,520	76,520	-
Total supporting services	<u>424,748</u>	<u>424,748</u>	<u>-</u>
TOTAL PROGRAM & SUPPORTING SERVICES EXPENSES	2,573,617	2,573,617	-
CHANGE IN NET ASSETS BEFORE TRANSFERS	108,021	93,621	14,400
NET ASSETS, BEGINNING OF YEAR	929,563	929,563	-
NET ASSETS RELEASED FROM RESTRICTIONS (Note 6)	-	14,400	(14,400)
NET ASSETS, END OF YEAR	<u>\$ 1,037,584</u>	<u>\$ 1,037,584</u>	<u>\$ -</u>

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, 2013

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$	108,021
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation (Note 5)		31,539
(Increase) Decrease in other assets		
Prepaid expenses		10,612
Employee loans		(515)
Increase (Decrease) in current liabilities		
Accounts and accrued expenses payable		(5,549)
Insurance proceeds and other receivables (Note 10)		(23,068)
Net unrealized losses on investments (Notes 3 & 4)		35,087
NET CASH PROVIDED BY OPERATING ACTIVITIES		<u>156,127</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Short-term investments		(354)
Investments in marketable securities (net)		(206,141)
Return of capital dividends on investments		1,681
Construction of building		(2,800)
Acquisition of equipment		(625)
NET CASH USED BY INVESTING ACTIVITIES		<u>(208,239)</u>

NET DECREASE IN CASH & CASH EQUIVALENTS (52,112)

BEGINNING CASH & CASH EQUIVALENTS 454,706

ENDING CASH & CASH EQUIVALENTS \$ 402,594

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.

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended December 31, 2013

	<u>Total</u>	<u>Program Services</u>	<u>Management & General</u>	<u>Fund Raising</u>
Salaries	\$ 847,104	\$ 839,591	\$ 7,513	\$ -
Payroll Taxes	81,310	80,589	721	-
Total Salaries and Related Expenses	<u>928,414</u>	<u>920,180</u>	<u>8,234</u>	<u>-</u>
Professional fund raising fees	74,250	-	-	74,250
Advertising	5,351	5,351	-	-
Bank and credit card fees	20,172	415	346	19,411
Rubbish removal & janitorial	22,068	22,068	-	-
Cemetery expenses	630	630	-	-
Depreciation expense	31,539	31,224	315	-
Educational materials and mailings (Note 9)	600,756	600,756	-	-
Insurance	102,967	100,687	2,280	-
Shelter supplies and expenses	105,347	105,347	-	-
Licenses, dues, subscriptions, & registrations	1,790	79	1,276	435
Printing and mailing expenses (Note 9)	200,253	-	-	200,253
Medical-Veterinarian	169,133	169,133	-	-
Office and miscellaneous expenses	7,048	1,409	5,287	352
Computer expenses	22,220	-	22,220	-
Repairs and maintenance (Note 10)	62,876	62,876	-	-
Rental of equipment	9,227	-	9,227	-
Payroll service fees	10,206	10,206	-	-
Postage	6,750	-	3,162	3,588
Telephone	5,115	2,557	1,279	1,279
Utilities	27,237	27,237	-	-
Legal and professional fees	9,336	-	5,000	4,336
Feral cat expenses	28,418	28,418	-	-
Dog training	20,700	20,700	-	-
Volunteer program services	3,923	3,029	894	-
Fulfillment services	44,324	-	-	44,324
Bookkeeping expenses	16,800	-	16,800	-
Dog sanctuary	36,567	36,567	-	-
Charitable contribution	200	-	200	-
	<u>\$ 2,573,617</u>	<u>\$ 2,148,869</u>	<u>\$ 76,520</u>	<u>\$ 348,228</u>

See auditor's report and notes to financial statements.

LITTLE SHELTER ANIMAL ADOPTION CENTER INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

NOTE 1 – SHELTER

Little Shelter Animal Adoption Center Inc. (“the Shelter”) (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 shelter 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 Shelter has adopted (FASB ASC 958, formerly SFAS117), Financial Statements of Not-For-Profit-Shelters. Under FASB ASC 958, the Shelter 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 Shelter 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 Shelter’s cash balances were deposited in several banks. Management believes the Shelter 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, 2013

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

CONCENTRATIONS OF CREDIT AND MARKET RISK

Financial instruments that potentially expose the Shelter 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, 2013 in one account was above FDIC limits. The Shelter has not experienced any losses on its cash equivalents. As of December 31, 2013, the Shelter's investments do not represent significant concentrations of market risk inasmuch as the Shelter'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 Shelter, 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 Shelter 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, 2013 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 Shelter'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, 2013

NOTE 3 – INVESTMENTS

Investment income is comprised of the following:

Dividend and interest	\$ 8,314
Gain on investments	5,207
Unrealized gain on investments	<u>14,913</u>
Net investment gain from financial investments	\$ 28,434

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 Shelter 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, 2013 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	\$ 296,573	\$ -	\$ 296,573
Real estate investment trusts	<u>-</u>	<u>50,081</u>	<u>50,081</u>
Total	<u>\$ 296,573</u>	<u>\$ 50,081</u>	<u>\$ 346,654</u>

NOTE 4 – LONG-TERM INVESTMENTS

The Shelter 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 \$25,000 which it believes more accurately reflects the market value. Accordingly, we recorded a \$50,000 long-term investment write down for the year ending December 31, 2013.

LITTLE SHELTER ANIMAL ADOPTION CENTER INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

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 \$31,539 for the year ended December 31, 2013.

Property and equipment consist of the following:

Land	\$ 98,521
Buildings & improvements	601,177
Van	55,289
Equipment	<u>132,314</u>
	887,301
Less: Accumulated Depreciation	<u>(391,765)</u>
	<u>\$ 495,536</u>

NOTE 6 – TEMPORARILY RESTRICTED ASSETS

The Shelter received grants of \$14,400 in 2013 which were restricted for maintenance and capital improvements. All of these grants were used for their specific uses during 2013. At the beginning and the end of 2013 there were no funds classified as temporarily restricted.

NOTE 7 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 31, 2014, the date the financial statements were available to be issued.

NOTE 8 – DONATED SERVICES AND MATERIALS

The Shelter receives donated services from a variety of unpaid volunteers assisting the Shelter 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, 2013

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 2013, the Shelter conducted program activities that also included requests for contributions. Those activities included direct mail campaigns. The costs of those activities included a total of \$801,009 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 \$600,756 to program activities and \$200,253 to fundraising.

NOTE 10 – INSURANCE PROCEEDS RECEIVABLE

The Shelter's property experienced damage from Super Storm Sandy in October 2012. Insurance proceeds in the amount of \$ 48,636 were received in 2013. These proceeds offset various hurricane related expenses paid in the amount of \$ 46,885 which included property repairs, costs of boarding dogs due to kennel damages, and removing fallen trees. A final insurance payment was received in 2014 in the amount of \$23,000 which offset additional expenses related to the hurricane.

NOTE 11 – 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.

Shelervale 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 shelters. 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.