

ADA HOWE KENT MEMORIAL SHELTER, INC.
FINANCIAL STATEMENTS

FOR THE YEAR ENDED
DECEMBER 31, 2019

FINAL DRAFT
11.13.2020

ADA HOWE KENT MEMORIAL SHELTER, INC
TABLE OF CONTENTS
DECEMBER 31, 2019

INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS:	
Statement of Financial Position	2
Statement of Activities	3
Statement of Functional Expenses	4
Statement of Cash Flows	5
Notes to Financial Statements	6 - 10

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Independent Auditors' Report

To the Board of Trustees of
Ada Howe Kent Memorial Shelter, Inc.

We have audited the accompanying financial statements of Ada Howe Kent Memorial Shelter, Inc. (a non-profit organization), which comprise the statements of financial position as of December 31, 2019, and the related statements of activities, functional expenses, and cash flows 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.

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 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 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 Ada Howe Kent Memorial Shelter, Inc. as of December 31, 2019, and the changes in its net assets, functional expenses, and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Hauppauge, New York
November 10, 2020

ADA HOWE KENT MEMORIAL SHELTER, INC.
 STATEMENT OF FINANCIAL POSITION
 AS OF DECEMBER 31, 2019

ASSETS		
Current assets:		
Cash and cash equivalents	\$	569,719
Investments		4,968,559
Inventory		2,109
Total current assets		5,540,387
Fixed assets, net		376,025
Total assets	\$	5,916,412
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses		111,818
Total current liabilities		111,818
Total liabilities		111,818
Net assets:		
Without donor restrictions		5,519,519
With donor restrictions		285,075
Total net assets		5,804,594
Total liabilities and net assets	\$	5,916,412

See independent auditors' report and notes to financial statements.

ADA HOWE KENT MEMORIAL SHELTER, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:			
Donations - general	\$ 241,066	\$ -	\$ 241,066
Annual appeals	84,857	-	84,857
Annual events	41,088	-	41,088
Bequests	125,980	-	125,980
Adoptions	143,899	-	143,899
Acceptances	7,875	-	7,875
Pet supplies	715	-	715
Capital campaign	-	351,000	351,000
Interest and dividend income	189,090	-	189,090
Net realized and unrealized gain on investments, net of investment expenses of \$42,394	687,815	-	687,815
Rental income	12,632	-	12,632
Total support and revenue	1,535,017	351,000	1,886,017
Net assets released from restrictions	65,925	(65,925)	-
Total support and revenue after release from restriction	1,600,942	285,075	1,886,017
Services:			
Clinic and vaccines	313,256	-	313,256
Medical	67,555	-	67,555
Total services	380,811	-	380,811
Total revenue	1,981,753	285,075	2,266,828
Expenses:			
Program	1,077,448	-	1,077,448
Management and general	93,349	-	93,349
Fundraising	73,682	-	73,682
Total expenses	1,244,479	-	1,244,479
Change in net assets without donor restrictions	737,274	285,075	1,022,349
Net assets - beginning of year	4,814,487	-	4,814,487
Prior period adjustment	(32,242)	-	(32,242)
Net assets - end of year	\$ 5,519,519	\$ 285,075	\$ 5,804,594

See independent auditors' report and notes to financial statements.

ADA HOWE KENT MEMORIAL SHELTER, INC.
STATEMENT OF FUNCTIONAL EXPENSES

Year ended December 31, 2019

	Program				Supporting Services		
	Clinic	Shelter	Retirement Home	Total Program	Management and General	Fundraising	Total
Salaries and wages	\$ 137,569	\$ 304,898	\$ 42,667	\$ 485,134	\$ 57,952	\$ 38,634	\$ 581,720
Payroll taxes	14,707	32,596	4,561	51,864	4,606	3,071	59,541
Employee benefits	7,818	20,667	7,991	36,476	6,839	2,280	45,595
Veterinarians	119,057	21,864	501	141,422	-	-	141,422
Total salaries, payroll taxes, and benefits	279,151	380,025	55,720	714,896	69,397	43,985	828,278
Medical Supplies	59,356	45,239	3,454	108,049	-	-	108,049
Food	4,384	2,531	6,310	13,225	-	-	13,225
Telephone	1,689	2,031	-	3,720	744	496	4,960
Utilities	4,402	17,863	4,581	26,846	2,983	-	29,829
Repair and maintenance	2,869	4,880	2,978	10,727	1,192	-	11,919
Insurance	7,525	5,855	5,511	18,891	3,334	-	22,225
Promotional and advertising	145	3,317	-	3,462	-	-	3,462
Office supplies	1,319	5,433	-	6,752	141	141	7,034
General supplies	2,819	13,579	9,774	26,172	-	-	26,172
Storage	-	2,017	-	2,017	-	-	2,017
Automobile expenses	-	9,975	-	9,975	-	-	9,975
Professional fees	7,032	21,333	6,629	34,994	-	-	34,994
Fund raising expense	-	-	-	-	-	18,383	18,383
Bank fees	-	-	-	-	10,677	10,677	21,354
Real estate taxes	-	667	-	667	74	-	741
Pet supplies	-	3,138	-	3,138	-	-	3,138
Depreciation expense	1,076	13,154	912	15,142	1,682	-	16,824
Dog transportation	660	9,065	-	9,725	-	-	9,725
Miscellaneous	-	3,125	-	3,125	3,125	-	6,250
Capital campaign expenses	-	65,925	-	65,925	-	-	65,925
Subtotal	93,276	229,127	40,149	362,552	23,952	29,697	416,201
Total functional expenses	\$ 372,427	\$ 609,152	\$ 95,869	\$ 1,077,448	\$ 93,349	\$ 73,682	\$ 1,244,479

See independent auditors' report and notes to financial statements.

ADA HOWE KENT MEMORIAL SHELTER, INC.
STATEMENT OF CASH FLOWS
AS OF DECEMBER 31, 2019

Cash flows from operating activities		
Change in net assets	\$	1,022,349
Adjustments to reconcile change in net assets to cash provided by operating activities:		
Prior period adjustment		(32,242)
Depreciation expense		16,824
Net realized and unrealized gain on investments		(687,815)
Changes in assets and liabilities:		
Increase in accounts payable		91,038
Net cash provided by operating activities		410,154
Cash flows from financing activities		
Purchase of fixed assets		-
Purchase of investments		(146,443)
Net cash used in financing activities		(146,443)
Net increase in cash and cash equivalents		263,711
Cash and cash equivalents at beginning of year		306,008
Cash and cash equivalents at end of year	\$	569,719

See independent auditors' report and notes to financial statements.

ADA HOWE KENT MEMORIAL SHELTER, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 1 – NATURE OF ORGANIZATION

Nature of Organization - Ada Howe Kent Memorial Shelter, Inc. (the "Organization") operates to provide temporary shelter, food and health care for unwanted animals, as well as informational services and educational programs for the general area. The corporation maintains a shelter in Calverton, New York, providing these services, and conducts programs throughout the area promoting informed and humane care. The agency operates a spay clinic in conjunction with the shelter and a retirement home for pets whose owners have predeceased them.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting - The financial statements of Ada Howe Kent Memorial Shelter, Inc. have been prepared on the accrual basis on accounting, in accordance with generally accepted accounting principles.

Cash Equivalents - For the purposes of the statement of financial position and the statement of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash and cash equivalents.

Fair Value Measurement – The Organization follows U.S. GAAP guidance on Fair Value Measurements which defines fair value and establishes a fair value hierarchy organized into three levels based upon the input assumptions used in pricing assets. Level 1 inputs have the highest reliability and are related to assets with unadjusted quoted prices in active markets. Level 2 inputs relate to assets with other than quoted prices in active markets which may include quoted prices for similar assets or liabilities or other inputs which can be corroborated by observable market data. Level 3 inputs are unobservable inputs and are used to the extent that observable inputs do not exist. US Treasury money market funds are carried at fair value in the statements of financial position valued using Level 1 inputs.

Investments – The Organization carries its investments at fair value in the statements of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying statements of activities. Securities transactions are reported on a trade date basis.

The Organization's investments are all in equity securities and are valued using Level 1 inputs.

Fixed assets - The Organization's capitalization policy is to capitalize assets over \$1,000 with a useful life of greater than one year. Depreciable assets are reported at cost and are depreciated using the straight-line method over their estimated useful lives. Costs of maintenance and repairs that do not improve or extend the lives of the respective assets are expensed as incurred.

Net assets - As required by the Financial Statements for Not-for-Profit Organizations topic of the FASB Accounting Standards Codification, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: with donor restrictions and without donor restrictions:

Net assets without donor restrictions – net assets of the Organization which have not been restricted by an outside donor or by law and are therefore available for use in carrying out the operations of the Organization.

Net assets with donor restrictions – net assets of the Organization which have been limited by donor-imposed stipulations or by law, that either expire with the passage of time or can be fulfilled and removed by the actions of the Organization pursuant to those stipulations.

Contributions - Contributions are recognized when received by the donor. All contributions are to be considered unrestricted unless specifically restricted by the donor. All donor restricted contributions are reported as increases in net assets with donor restrictions. When a 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.

ADA HOWE KENT MEMORIAL SHELTER, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional allocation of expenses - The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated between the programs and supporting services benefited. Such allocation are determined by management on an equitable basis.

Use of Estimates - Management of the Organization uses estimates and assumptions in preparing financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affected the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported revenues and expenses. Actual results could vary from the estimates that management uses.

Income Taxes - Ada Howe Kent Memorial Shelter, Inc. is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and, therefore, has made no provision for federal income taxes in the accompanying financial statements. Ada Howe Kent Memorial Shelter, Inc. has also been classified as an entity that is not a private foundation within the meaning of Section 509(a) and qualifies for deductible contributions as provided in Section 170(b)(1)(A)(vi).

Functional allocation of expenses - The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited. Such allocation are determined by management on an equitable basis.

Recent pronouncements - In August of 2016, the FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements for Not-for-Profit Entities (the "Standard"). The Standard establishes the new financial reporting framework for not-for-profit organizations. The update will result in changes to the presentation of the statements of financial position, activities, and cash flows.

The new guidance reduces the classification of net assets to two categories: (1) net assets without donor restrictions and (2) net assets with donor restrictions. It also changes the classification and accounting for underwater endowments. The Standard requires enhanced net asset disclosures which include information about the timing, nature of restrictions, and composition of the net assets with donor restrictions. Enhanced disclosures are also required for board designated net assets, which are classified as net assets without donor restrictions.

The Standard requires disclosure of the method used to allocate costs among program and supporting services.

To improve the transparency and utility of liquidity information provided in not-for-profit financial statements, the Standard requires disclosure of quantitative and qualitative liquidity information, including how an entity manages liquidity risk and disclosures about availability of assets to meet cash needs within one year of the balance sheet date.

Changes to the statement of activities includes a requirement to report the total change in net assets and the changes in each of the two new classes of nets assets described above. All nonprofits will be required to present an analysis of expenses by function and by natural classification. This can be done on the face of the statement of activities, in a separate statement, or in the footnotes to the financial statements.

The statement of cash flows may continue to be presented using the direct or indirect method. If the direct method is adopted, the organization is no longer required to include the indirect method reconciliation.

The Standard is effective for the fiscal years beginning after December 15, 2017. The December 31, 2019 financials are presented to conform to ASU 2016-14.

ADA HOWE KENT MEMORIAL SHELTER, INC.
 NOTES TO FINANCIAL STATEMENTS

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In May 2014, the Financial Accounting Standards Board (FASB) issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606), requiring an entity to recognize the amount of revenue which it expects to be entitled to for the transfer of promised goods or services to customers. The standard replaces most existing revenue recognition guidance in GAAP, including industry-specific guidance, and permits the use of either a full retrospective or a retrospective with cumulative effect transition method to apply the standard. The Organization adopted the standard on January 1, 2019 using the retrospective with cumulative effect transition method. Therefore, the comparative information has not been adjusted and continues to be reported under the FASB Accounting Standards Codification (ASC) Topic 605. The adoption of this standard did not have a significant impact on the Organization’s financial statements. The Organization derives the majority of total revenues from contributions. The Organization analyzed its remaining revenue streams and concluded there are no changes in revenue recognition with the adoption of the new standard. The adoption of the standard did not result in a cumulative adjustment to beginning retained earnings as of January 1, 2019 and the standard did not have an impact on the Organization’s financial statements.

NOTE 3 – PROPERTY AND EQUIPMENT

Property and equipment, accumulated depreciation and the estimated useful lives as of December 31, 2019 are as follows:

		Estimated Useful Lives
Land	\$ 66,010	N/A
Building	641,529	39
Furniture and equipment	2,500	5 - 7
	<u>710,039</u>	
Less accumulated depreciation	(334,014)	
Fixed assets, net	<u>\$ 376,025</u>	

For the year ended December 31, 2019, depreciation expense amounted to \$3,138.

NOTE 4 – CONCENTRATION OF CREDIT RISK

The Federal Deposit Insurance Corporation insures bank deposits up to \$250,000. The Organization maintains balances at local area banks, which, at times, may exceed the federally insured limit. The Organization has not suffered any losses due to the uninsured amount. At December 31, 2019, the Organization did not have deposits in excess of federally insured limits.

NOTE 5 – NET ASSETS WITH DONOR RESTRICTIONS

At December 31, 2019, net asset with donor restrictions were available for the following purpose:

	2019
Program restrictions	\$ 285,075
Net assets with donor restrictions	<u>\$ 285,075</u>

ADA HOWE KENT MEMORIAL SHELTER, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 6 – INVESTMENTS AND FAIR VALUE MEASUREMENT

The Organization measures its investments at fair value, as defined in Note 2. Accordingly, The Organization uses a fair value hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs requiring the most observable inputs be used when available. The hierarchy prioritizes the inputs in the valuation techniques used to measure fair value into three broad levels (Level 1, 2 and 3). The classification of investments in the fair value hierarchy is not necessarily an indication of the risks, liquidity, or degree of difficulty in estimating fair value of each investment's underlying assets and liabilities.

Level 1 financial instruments are valued by observable inputs that reflect quoted prices for identical assets or liabilities in active markets that North Star Fund has the ability to access at the measurement date.

Level 2 financial instruments are valued by quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations the significant inputs of which are observable.

Level 3 financial instruments are valued using pricing inputs that are unobservable and includes situations where there is little, if any, market activity for the asset.

The following table presents the financial instruments recorded at fair value by the Organization as of December 31, 2019:

	Level 1	Level 2	Level 3	Total
Mutual funds	\$ 4,902,314	\$ -	\$ -	\$ 4,902,314
Common stock	66,245	-	-	66,245
Total investments	\$ 4,968,559	\$ -	\$ -	\$ 4,968,559

Investment return consists of the following for the year ended December 31, 2019:

Interest and dividend income	\$ 189,090
Net realized and unrealized gain, on investments loss	730,210
Investment return	\$ 919,300

NOTE 7 – DEFERRED COMPENSATION PLAN

The Shelter has a 403(b) elective salary deferral plan which full time employees are eligible to join. The Shelter does not make any matching contributions for its employees, and there is no expense to the Shelter to maintain the plan.

NOTE 8 – PRIOR PERIOD ADJUSTMENT

The accompanying financial statements have been restated to correct an error made in prior years. The error relates to an understatement of accrued expenses and net assets without donor restrictions by \$32,242. The effect of the restatement was to increase accrued expenses at December 31, 2018 by \$32,242. Net assets at the beginning of 2019 has been adjusted for the effect of the restatement on prior years.

ADA HOWE KENT MEMORIAL SHELTER, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 8 - LIQUIDITY

The Organization primarily generates financial assets from pet adoptions and contributions received from Foundations and individuals. The financial assets are acquired throughout the year to help meet the Organization's cash needs for general expenditures.

The following table represents the Organization's financial assets available for general expenditures within one year of the financial position date:

Current assets as of December 31, 2019 excluding non-financial assets:	
Cash and cash equivalents	\$ 569,719
Investments	4,968,559
Total assets, excluding non-financial assets	5,538,278
Less those unavailable for general due to:	
Donor restrictions	(285,075)
Financial assets available to meet cash needs for general expenditures within one year	\$ 5,253,203

NOTE 9 – SUBSEQUENT EVENTS

December 2019, a novel strain of coronavirus was reported in Wuhan, China. The World Health Organization has declared the outbreak to constitute a "Public Health Emergency of International Concern." The COVID-19 outbreak is disrupting and affecting production and sales across a range of industries. The extent of the impact of COVID-19 on our operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on our customers, employees and vendors all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact the Organization's financial condition or results of operations is uncertain.

Ada Howe Kent Memorial Shelter, Inc. has evaluated subsequent events through November 10, 2020, which is the date these financial statements were available to be issued.