



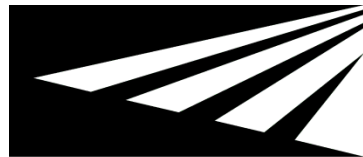
ANIMAL RESCUE FUND OF THE HAMPTONS, INC.

**FINANCIAL STATEMENTS
TOGETHER WITH AUDITOR'S REPORT**

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

**ANIMAL RESCUE FUND OF THE HAMPTONS, INC.
INDEX TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED
DECEMBER 31, 2019 AND 2018**

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NawrockiSmith

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Animal Rescue Fund of the Hamptons, Inc.:

We have audited the accompanying financial statements of Animal Rescue Fund of the Hamptons, Inc. (the "Organization", a nonprofit organization), which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to 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 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.

NawrockiSmith

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Animal Rescue Fund of the Hamptons, 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.

Melville, New York
August 6, 2020

Nawrocki Smith LLP

ANIMAL RESCUE FUND OF THE HAMPTONS, INC.
STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2019 AND 2018

ASSETS	<u>2019</u>	<u>2018</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 1,562,150	\$ 1,454,881
Investments	4,954,478	4,135,400
Accounts receivable	103,579	125,582
Contributions receivable, net, current portion	177,999	167,924
Mortgage receivable, current portion	11,789	10,276
Inventory	76,225	57,425
Prepaid expenses and other assets	<u>24,796</u>	<u>1,750</u>
Total current assets	<u>6,911,016</u>	<u>5,953,238</u>
Fixed assets, net of accumulated depreciation of \$3,283,401 and \$3,105,138, respectively	6,372,021	6,442,427
Mortgage receivable, net, noncurrent portion	58,031	68,940
Contributions receivable, net, noncurrent portion	178,000	335,848
Restricted investments	1,000,000	1,000,000
Security deposits	<u>6,740</u>	<u>6,740</u>
Total assets	<u>\$ 14,525,808</u>	<u>\$ 13,807,193</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Line of credit	\$ 875,000	\$ -
Accounts payable and accrued expenses	212,719	226,404
Deferred revenue	<u>52,250</u>	<u>-</u>
Total current liabilities	<u>1,139,969</u>	<u>226,404</u>
NET ASSETS:		
Without donor restrictions:		
Designated for fixed assets and construction-in-progress	6,372,021	6,442,427
Board designated for ARF Securing Our Future Campaign	4,063,121	4,253,014
Board designated for land planning fund	235,128	232,381
Board designated for capital expenditures	475,524	463,332
Undesignated	<u>-</u>	<u>-</u>
Total net assets without donor restrictions	<u>11,145,794</u>	<u>11,391,154</u>
With donor restrictions	<u>2,240,045</u>	<u>2,189,635</u>
Total net assets	<u>13,385,839</u>	<u>13,580,789</u>
Total liabilities and net assets	<u>\$ 14,525,808</u>	<u>\$ 13,807,193</u>

The accompanying notes to financial statements are an
integral part of these statements.

ANIMAL RESCUE FUND OF THE HAMPTONS, INC.
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
PUBLIC SUPPORT:						
Contributions	\$ 1,247,542	\$ 63,333	\$ 1,310,875	\$ 1,556,121	\$ 85,390	\$ 1,641,511
Special events, net of direct expenses	608,023	-	608,023	472,113	-	472,113
Donated goods	451,063	-	451,063	479,264	-	479,264
Calendar sales, net of cost of goods sold	27,764	-	27,764	27,475	-	27,475
Total public support	2,334,392	63,333	2,397,725	2,534,973	85,390	2,620,363
REVENUES:						
Investment income (loss), net	1,115,563	-	1,115,563	(362,867)	-	(362,867)
Adoptions	137,445	-	137,445	235,928	-	235,928
Other income	67,877	-	67,877	79,185	-	79,185
Obedience training	65,090	-	65,090	71,770	-	71,770
Operation Cat	36,158	-	36,158	37,563	-	37,563
Total revenues	1,422,133	-	1,422,133	61,579	-	61,579
Total public support and revenues	3,756,525	63,333	3,819,858	2,596,552	85,390	2,681,942
EXPENSES:						
Program services	3,116,757	-	3,116,757	3,062,396	-	3,062,396
Administration	199,919	-	199,919	248,802	-	248,802
Fundraising	698,132	-	698,132	725,851	-	725,851
Total expenses	4,014,808	-	4,014,808	4,037,049	-	4,037,049
Excess (deficiency) of revenues over (under) expenses	(258,283)	63,333	(194,950)	(1,440,497)	85,390	(1,355,107)
Net assets released from restrictions	12,923	(12,923)	-	27,228	(27,228)	-
CHANGE IN NET ASSETS	(245,360)	50,410	(194,950)	(1,413,269)	58,162	(1,355,107)
NET ASSETS, BEGINNING OF YEAR	11,391,154	2,189,635	13,580,789	12,804,423	2,131,473	14,935,896
NET ASSETS, END OF YEAR	\$ 11,145,794	\$ 2,240,045	\$ 13,385,839	\$ 11,391,154	\$ 2,189,635	\$ 13,580,789

The accompanying notes to financial statements
are an integral part of these statements.

ANIMAL RESCUE FUND OF THE HAMPTONS, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019				2018			
	Program Services	Administration	Fundraising	Total	Program Services	Administration	Fundraising	Total
Salaries	\$ 1,566,294	\$ 39,158	\$ 352,416	\$ 1,957,868	\$ 1,488,213	\$ 138,570	\$ 399,099	\$ 2,025,882
Employee benefits	350,260	8,756	78,809	437,825	228,137	21,242	61,180	310,559
Medical	273,133	-	-	273,133	274,580	-	-	274,580
Depreciation	142,611	3,565	32,087	178,263	169,554	15,787	45,470	230,811
Payroll taxes	140,039	3,501	31,508	175,048	154,253	14,363	41,367	209,983
Professional fees	-	132,168	-	132,168	-	32,554	-	32,554
Repairs and maintenance	104,191	2,558	23,021	129,770	130,627	-	34,181	164,808
Animal supplies	124,958	-	-	124,958	164,648	-	-	164,648
Transportation	69,515	1,682	15,142	86,339	92,954	-	24,851	117,805
Utilities	61,308	1,533	13,794	76,635	62,103	5,782	16,654	84,539
Contracted services	52,851	1,236	11,120	65,207	15,526	1,106	3,184	19,816
Office supplies	44,086	1,102	9,920	55,108	29,256	2,724	7,846	39,826
Processing fees	16	-	52,348	52,364	-	-	-	-
Insurance	40,778	1,019	9,175	50,972	80,919	7,535	21,700	110,154
Information technology	31,563	789	7,102	39,454	-	-	-	-
Advertising	30,154	747	6,722	37,623	44,553	-	11,950	56,503
Thrift shop commissions	-	-	36,023	36,023	-	-	29,758	29,758
Printing and postage	26,442	661	5,950	33,053	13,106	-	3,515	16,621
Equipment	16,962	424	3,816	21,202	1,501	140	-	1,641
Telephone and internet	14,685	367	3,304	18,356	14,246	1,326	3,820	19,392
Miscellaneous	10,145	254	2,283	12,682	66,717	6,212	17,891	90,820
Interest	6,839	171	1,539	8,549	-	-	-	-
Storage	5,800	145	1,305	7,250	12,616	-	3,385	16,001
Licenses and fees	1,672	42	376	2,090	1,285	120	-	1,405
Dues and subscriptions	1,653	41	372	2,066	14,401	1,341	-	15,742
Education	802	-	-	802	3,201	-	-	3,201
Total	\$ 3,116,757	\$ 199,919	\$ 698,132	\$ 4,014,808	\$ 3,062,396	\$ 248,802	\$ 725,851	\$ 4,037,049

The accompanying notes to financial statements
are an integral part of these statements.

ANIMAL RESCUE FUND OF THE HAMPTONS, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (194,950)	\$ (1,355,107)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	178,263	230,811
Unrealized (gain) loss on investments	(758,894)	597,855
Realized gain on investments	(159,835)	(5,930)
Decrease in contributions receivable	147,773	129,903
Decrease (increase) in accounts receivable	22,003	(105,887)
(Increase) decrease in inventory	(18,800)	23,608
Increase in prepaid expenses and other assets	(23,046)	(1,750)
Decrease in accounts payable and accrued expenses	(13,685)	(29,617)
Increase in deferred revenue	52,250	-
	<u>(768,921)</u>	<u>(516,114)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Payments on mortgage receivable	9,396	9,678
Purchase of investments	(2,235,110)	(2,081,311)
Sale of investments	2,334,761	2,489,793
Purchase of fixed assets	(107,857)	(212,894)
	<u>1,190</u>	<u>205,266</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from line of credit	875,000	-
	<u>875,000</u>	<u>-</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	107,269	(310,848)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>1,454,881</u>	<u>1,765,729</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 1,562,150</u>	<u>\$ 1,454,881</u>
SUPPLEMENTAL CASH FLOW INFORMATION:		
Retirement of fully depreciated fixed assets	<u>\$ -</u>	<u>\$ 55,843</u>
CASH PAID DURING THE YEAR FOR:		
Interest	<u>\$ 8,549</u>	<u>\$ -</u>

The accompanying notes to financial statements
are an integral part of these statements.

ANIMAL RESCUE FUND OF THE HAMPTONS, INC.
NOTES TO FINANCIAL STATEMENTS

(1) Nature of organization:

The Animal Rescue Fund of the Hamptons, Inc. ("ARF") was founded in 1974 in East Hampton, New York, as a shelter and adoption center for homeless animals on Long Island's East End. ARF is a no-kill shelter where animals are only euthanized in cases of untreatable and debilitating illness or severe, dangerous behavior. Since its founding, ARF has extended the reach of its adoption program to families across Long Island to New York City, and its rescue work has transported thousands of cats and dogs from communities across the nation where animal over-population results in euthanasia of cats and dogs for space in municipal shelters. Additionally, ARF's Operation Cat, a trap/alter/release program to humanely reduce the feral cat population, has performed over 27,000 spay/neuter surgeries on cats in eastern Suffolk County and led to the adoption of thousands of kittens who would otherwise grow up unsocialized and homeless.

(2) Summary of significant accounting policies:

The accompanying financial statements include the assets, liabilities, revenues and expenses of ARF which are presented under the accrual basis of accounting. The following is a summary of significant accounting policies followed by ARF.

Basis of accounting and financial statement presentation -

The accompanying financial statements include the accounts of ARF's programs, administration and fundraising. ARF presents its financial statements in accordance with U.S. generally accepted accounting principles, which require that ARF's financial statements distinguish net assets and changes in net assets between those with and without donor restrictions. ARF's net assets consist of the following:

Without donor restrictions - net assets which have not been restricted by an outside donor or by law and are therefore available for use in carrying out the operations of ARF.

With donor restrictions - net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

As required by U.S. generally accepted accounting principles, ARF has also presented Statements of Cash Flows for the years ended December 31, 2019 and 2018.

Cash and cash equivalents -

All highly liquid investments purchased with an original maturity of three months or less are considered to be cash equivalents, including money market funds.

Contributions receivable -

Contributions receivable are recognized as support in the period pledged and are recorded at the present value of estimated cash flow. The discount on these amounts is computed using a risk-adjusted rate applicable to the years in which the promises are to be received. Amortization of the discount is recorded as an addition to contribution revenue in accordance with donor-imposed restrictions. ARF expects contributions receivable to be collected in full therefore, an allowance for doubtful accounts has not been recorded as of December 31, 2019.

**ANIMAL RESCUE FUND OF THE HAMPTONS, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

(2) Summary of significant accounting policies (continued):

Inventory -

Inventory consists of donated goods held for resale that is stated at the lower of cost or net realizable value.

Investments -

Investments are stated at fair value for the period presented. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") on fair value measurements also establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements).

Fixed assets -

Fixed assets are capitalized at cost or, if donated, at fair market value as of the date of receipt. The cost of fixed assets purchased in excess of \$1,000 is capitalized. Maintenance and repairs are charged to expense and betterments are capitalized. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Estimated useful lives are as follows:

Buildings and improvements	31-40 years
Equipment and fixtures	3-20 years
Vehicles	5 years

Impairment of long-lived assets and long-lived assets to be disposed of -

ARF follows the provisions of the FASB ASC on accounting for the impairment or disposal of long-lived assets which require that long-lived assets and certain identifiable intangibles be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. These principles did not have a material impact on the ARF's financial position, results of activities or liquidity during the years ended December 31, 2019 and 2018.

Conditional asset retirement obligations -

The FASB ASC on accounting for conditional asset retirement and environmental obligations requires ARF to recognize a liability for the fair value of its legal obligation to

ANIMAL RESCUE FUND OF THE HAMPTONS, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(2) Summary of significant accounting policies (continued):

perform an asset retirement activity, even though uncertainty exists about the timing and/or method of settlement, if and when the fair value of the liability can be reasonably estimated. As of December 31, 2019 and 2018, ARF has met the provisions of and is in compliance with these requirements and no obligation currently exists.

Revenue recognition -

Effective January 1, 2019, ARF adopted FASB Accounting Standards Update (“ASU”) No. 2014-09, *Revenue from Contracts with Customers* (Topic 606). The new guidance requires that an entity recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ARF applied the modified retrospective method of adoption, which resulted in no adjustment to net assets as of January 1, 2019.

Effective January 1, 2019, ARF adopted FASB ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (Topic 958). The new guidance clarifies and improves guidance on whether a transfer of assets is a contribution or an exchange and whether a contribution is conditional. ARF applied the modified retrospective method of adoption, which resulted in no adjustment to net assets as of January 1, 2019.

The following are the significant revenue recognition accounting policies of ARF:

Contributions - Contributions are recognized as income when received and are considered to be available for unrestricted use unless specifically restricted by the donor. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statements of Activities and Changes in Net Assets as net assets released from restrictions. Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends, or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. Conditional contributions are accounted for as a liability or are not recognized as revenue initially, until the barriers to entitlement are overcome, at which point a transaction is recognized as unconditional and classified as either net assets with donor restrictions, or net assets without donor restrictions.

Fundraising revenue - The portion of fundraising revenue that relates to the commensurate value the attendee receives in return is recognized when the related events are held, and performance obligations are met.

Donated assets -

Donated marketable securities and other noncash donations are recorded as contributions, at their estimated fair values, at their dates of donation.

Donated services -

ARF benefits from volunteer services in program, fundraising, and administrative duties

**ANIMAL RESCUE FUND OF THE HAMPTONS, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

(2) Summary of significant accounting policies (continued):

from board members and other volunteers. Even though these donated services are valuable to ARF, and help to advance ARF's mission, no amounts have been reflected in the financial statements for such contributed services inasmuch as such services do not meet the criteria for recognition in the financial statements nor do they create or enhance nonfinancial assets.

Functional expenses -

Expenses are recognized when incurred. The Statements of Functional Expenses report certain categories of expenses that are attributable to one or more program or supporting functions of ARF. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Direct program expenses are reported in their respective functional categories. The significant expenses that are allocated include: salaries, employee benefits and payroll taxes which are allocated on the basis of estimates of time and effort. Depreciation is allocated on the basis of square footage and use, and all other expenses are allocated on a systematic and rational basis.

Liquidity considerations -

Quantitative

As of December 31, 2019, and 2018, ARF has \$5,670,971 and \$4,763,603, respectively, of current assets available to meet cash needs for program and supporting services expenditures within one year of the Statement of Financial Position date. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for expenditures within the ensuing fiscal year.

Qualitative

As part of ARF's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. To help manage unanticipated liquidity needs, ARF has a committed line of credit in the amount of \$2,000,000, which it could draw upon.

Income taxes -

ARF qualifies as a tax exempt not-for-profit organization under Internal Revenue Code ("IRC") Section 501(c)(3) and applicable New York State tax laws. Accordingly, no provision for federal or state income taxes is required.

Uncertainty in income taxes -

The Organization recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Management has determined that the Organization had no uncertain tax positions that would require financial statement recognition. The Organization is no longer subject to examination by the applicable taxing jurisdictions for tax years prior to 2016.

ANIMAL RESCUE FUND OF THE HAMPTONS, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(2) Summary of significant accounting policies (continued):

The use of estimates in preparation of financial statements -

The preparation of financial statements in conformity with U.S. 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.

Reclassifications -

Certain reclassifications of prior year balances on the Statements of Financial Position, Statements of Activities and Changes in Net Assets and Statements of Functional Expenses have been made to conform to the current year presentation. These reclassifications had no effect on the decrease in net assets for the year ended December 31, 2018.

(3) Fair value measurement:

The FASB Fair Value Measurement standard clarifies the definition of fair value for financial reporting, establishes framework for measuring fair value, and requires additional disclosure about the use of fair value measurements in an effort to make the measurement of fair value more consistent and comparable. ARF has adopted the standard for its financial assets and liabilities measured on a recurring and nonrecurring basis.

Fair Value Measurement defines fair value as the amount that would be received from the sale of an asset or paid for the transfer of a liability in an orderly transaction between market participants, i.e. an exit price. The three levels of fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the reported entity has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

The following methods and assumptions were used by ARF in addressing the fair value of financial instruments:

Cash and cash equivalents -

The carrying amounts reported in the Statements of Financial Position for cash and cash equivalents approximate those assets' fair values (which include money market funds).

Mutual funds -

Mutual funds consist primarily of equities, bonds and U.S. government securities.

All of the investments held by ARF are considered Level 1 investments because they are regularly traded and have quoted prices in active markets.

As of December 31, 2019 and 2018, ARF did not possess any level 2 or 3 type of investments.

ARF's financial instruments consist of mutual funds only. The fair value and historical cost of ARF's mutual funds as of December 31, 2019 and 2018 were as follows:

**ANIMAL RESCUE FUND OF THE HAMPTONS, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

(3) Fair value measurement (continued):

	2019		2018	
	Fair Value	Cost	Fair Value	Cost
Mutual funds	\$ 5,954,478	\$ 5,673,919	\$ 5,135,400	\$ 5,736,869

Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment holdings could occur in the near term and that change could materially affect the amounts reported in the accompanying Statements of Financial Position.

(4) Fixed assets:

Fixed assets as of December 31, 2019 and 2018 are comprised of the following:

	2019	2018
Land	\$ 384,432	\$ 384,432
Buildings and improvements	6,275,045	6,275,045
Construction-in-progress	2,268,379	2,184,965
Equipment and fixtures	200,746	176,303
Vehicles	526,820	526,820
	9,655,422	9,547,565
Less: accumulated depreciation	3,283,401	3,105,138
Fixed assets, net	\$ 6,372,021	\$ 6,442,427

(5) Inventory:

ARF has a thrift store in Sagaponack, New York to sell clothing, furniture, and other goods donated by the general public. ARF records all such donated items at their estimated fair values at the dates of donation and later resells such items for an amount that approximates their donated values. During 2019 and 2018, ARF received \$451,063 and \$479,264, respectively, in donated items. Thus, amounts for thrift store sales and cost of goods sold net to zero. Any unsold items are maintained within inventory at estimated fair value. ARF collects sales taxes from customers of this thrift store and remits these amounts to applicable taxing authorities.

(6) Assigned mortgage receivable:

ARF received an assigned mortgage receivable in February 1996 with imposed donor restrictions. The value of the donated mortgage at the date of donation was \$203,550. The balance at December 31, 2019 and 2018 was \$69,820 and \$79,216, respectively. ARF is collecting monthly installments of \$1,229, including interest of 6%, with satisfaction of the mortgage in June 2025 or when the mortgagee has transferred the underlying house that secures the mortgage.

**ANIMAL RESCUE FUND OF THE HAMPTONS, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

(6) Assigned mortgage receivable (continued):

These mortgage payments are restricted by the donor for building and grounds repairs and maintenance. Principal payments to be received for the mortgage balance are as follows:

<u>Years Ending December 31,</u>	<u>Amount</u>
2020	\$ 11,789
2021	11,582
2022	12,297
2023	13,055
2024	13,860
Thereafter	<u>7,237</u>
	<u>\$ 69,820</u>

(7) Contributions receivable:

Contributions receivable as of December 31, 2019 are due as follows:

<u>Years Ending December 31,</u>	<u>Amount</u>
2020	\$ 200,000
2021	<u>200,000</u>
	400,000
Less: discount at 6% present value	<u>(44,001)</u>
Contributions receivable, net	355,999
Less: current portion	<u>(177,999)</u>
Non-current portion	<u>\$ 178,000</u>

(8) Line of credit:

In May 2019, ARF entered into a line of credit agreement with a financial institution, which provides for maximum borrowings of \$2,000,000. Borrowings under this line bear interest at prime less 1% (4.50% as of December 31, 2019) and are collateralized by the assets of ARF. As of December 31, 2019, \$875,000 was outstanding on this line of credit.

(9) Net assets with donor restrictions:

Purpose restricted net assets are available for or relate to the following purposes:

	<u>2019</u>	<u>2018</u>
Capital Campaign	\$ 955,999	\$ 903,772
Vandivert Fund	140,000	140,000
PUP program	74,226	66,647
Sampson mortgage receivable	<u>69,820</u>	<u>79,216</u>
	<u>\$ 1,240,045</u>	<u>\$ 1,189,635</u>

**ANIMAL RESCUE FUND OF THE HAMPTONS, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

(9) Net assets with donor restrictions (continued):

ARF has restricted funds held in perpetuity, the principal of which is restricted by the donors. Under the terms of the restriction, ARF can use the investment income for program and general operating expenses.

ARF has interpreted the New York Prudent Management of Institutional Funds Act (“NYPMIFA”) as allowing it to appropriate for expenditure or accumulate so much of an endowment fund as is determined prudent for the uses, benefits, purposes, and duration for which the endowment fund is established, subject to the intent of the donor as expressed in the gift instrument. Unless stated otherwise in the gift instrument, the assets of a donor-restricted endowment fund shall be donor-restricted assets until appropriated by ARF. ARF classifies the original value of gifts donated to the endowment as net assets with donor restriction in perpetuity. The remaining portion of a donor restricted endowment fund is classified as net assets with donor restrictions until appropriated for expenditure in a manner consistent with the standard of prudence prescribed by NYPMIFA. Management has interpreted state law to permit prudent spending from underwater endowments.

ARF has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to protect the original value of the gift.

Restricted in perpetuity net assets are restricted to:

	<u>2019</u>	<u>2018</u>
ARF Endowment Fund	<u>\$ 1,000,000</u>	<u>\$ 1,000,000</u>

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or applicable law requires ARF to retain as a fund of perpetual duration. There were no such deficiencies as of December 31, 2019 and 2018.

Net assets associated with endowment funds are classified and reported based on the existence or absence of donor imposed restrictions.

(10) Retirement plan:

During January 2009, ARF started a 401(k) plan for its employees. All employees are eligible after 6 months of service to make contributions to the plan; however, employees over 21 years of age, who have completed 6 months of service, are eligible to receive employer contributions. ARF’s annual contribution is discretionary and is not a fixed percentage. In 2019 and 2018, ARF contributed 3% and 5%, respectively, of the employee’s annual gross salary. For the years ended December 31, 2019 and 2018, ARF incurred 401(k) match expenses of \$66,729 and \$62,672, respectively. These amounts are included in employee benefits in the Statements of Functional Expenses.

**ANIMAL RESCUE FUND OF THE HAMPTONS, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

(11) Concentrations of risk:

ARF maintains cash and investments in several bank accounts which are insured by the Federal Deposit Insurance Corporation ("FDIC") and the Securities Investor Protection Corporation ("SIPC"). From time to time, ARF may have cash on deposits with financial institutions that are in excess of FDIC and SIPC limits. ARF has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

(12) Subsequent events:

ARF has evaluated subsequent events through August 6, 2020, which is the date these financial statements were available to be issued. Based on this evaluation, ARF has determined the following subsequent event has occurred, which requires disclosure in the financial statements:

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus ("COVID-19") as a pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to ARF, COVID-19 may impact various parts of its 2020 operations and financial results, including the receipt of contributions and collections on outstanding pledges receivable. In addition, both domestic and international equity markets have shown increased volatility since December 31, 2019. Management believes ARF is taking appropriate actions to mitigate the negative impact. In connection therewith, ARF applied for and received a Paycheck Protection Program ("PPP") loan in connection with the CARES Act in the amount of \$456,600. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events occurring subsequent to year-end are still developing.