



**ANIMAL RESCUE FUND OF THE HAMPTONS, INC.**

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

**AS OF AND FOR THE YEARS ENDED  
DECEMBER 31, 2021 AND 2020**

**ANIMAL RESCUE FUND OF THE HAMPTONS, INC.  
INDEX TO FINANCIAL STATEMENTS  
AS OF AND FOR THE YEARS ENDED  
DECEMBER 31, 2021 AND 2020**

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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.:

***Opinion***

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, 2021 and 2020, 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.

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, 2021 and 2020, 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.

***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Animal Rescue Fund of the Hamptons, Inc. and to meet our ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Animal Rescue Fund of the Hamptons, Inc.'s ability to continue as a going concern within one year after the date of the financial statements are available to be issued.

# NawrockiSmith

## ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Animal Rescue Fund of the Hamptons, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Animal Rescue Fund of the Hamptons, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Hauppauge, New York  
August 12, 2022

*Nawrocki Smith LLP*

**ANIMAL RESCUE FUND OF THE HAMPTONS, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**AS OF DECEMBER 31, 2021 AND 2020**

ASSETS	<u>2021</u>	<u>2020</u>
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 5,513,471	\$ 1,120,122
Investments	5,762,733	5,416,818
Accounts receivable	419,413	145,806
Contributions receivable, net, current portion	1,055,536	377,358
Mortgage receivable, current portion	12,297	11,582
Inventory	44,843	52,947
Prepaid expenses and other assets	<u>12,711</u>	<u>5,334</u>
Total current assets	<u>12,821,004</u>	<u>7,129,967</u>
Fixed assets, net	3,636,171	3,983,703
Construction-in-progress	7,167,459	3,659,841
Mortgage receivable, net, noncurrent portion	34,151	46,449
Contributions receivable, net, noncurrent portion	2,941,011	-
Restricted investments	1,000,000	1,000,000
Security deposits	<u>6,940</u>	<u>6,740</u>
Total assets	<u>\$ 27,606,736</u>	<u>\$ 15,826,700</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES:</b>		
Line of credit	\$ 640,000	\$ 960,000
Accounts payable and accrued expenses	<u>1,233,721</u>	<u>345,775</u>
Total current liabilities	<u>1,873,721</u>	<u>1,305,775</u>
<b>NET ASSETS:</b>		
Without donor restrictions:		
Designated for fixed assets	3,636,171	3,983,703
Board designated for ARF Securing Our Future Campaign	6,394,918	6,126,024
Board designated for Forever Home	<u>2,938,847</u>	<u>2,166,417</u>
Total net assets without donor restrictions	<u>12,969,936</u>	<u>12,276,144</u>
With donor restrictions	<u>12,763,079</u>	<u>2,244,781</u>
Total net assets	<u>25,733,015</u>	<u>14,520,925</u>
Total liabilities and net assets	<u>\$ 27,606,736</u>	<u>\$ 15,826,700</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, 2021 AND 2020**

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>PUBLIC SUPPORT:</b>						
Contributions	\$ 1,273,325	\$ 10,535,704	\$ 11,809,029	\$ 2,503,589	\$ 58,275	\$ 2,561,864
Grants	456,600	-	456,600	456,600	-	456,600
Special events, net of direct expenses	873,132	-	873,132	301,471	-	301,471
Donated goods	553,353	-	553,353	282,618	-	282,618
Calendar sales, net of cost of goods sold	-	-	-	328	-	328
Total public support	<u>3,156,410</u>	<u>10,535,704</u>	<u>13,692,114</u>	<u>3,544,606</u>	<u>58,275</u>	<u>3,602,881</u>
<b>REVENUES:</b>						
Investment income, net	773,116	-	773,116	804,058	-	804,058
Obedience training	2,330	-	2,330	89,401	-	89,401
Adoptions	42,764	-	42,764	55,395	-	55,395
Other income	40,407	-	40,407	38,459	-	38,459
Operation Cat	4,400	-	4,400	2,565	-	2,565
Total revenues	<u>863,017</u>	<u>-</u>	<u>863,017</u>	<u>989,878</u>	<u>-</u>	<u>989,878</u>
Total public support and revenues	4,019,427	10,535,704	14,555,131	4,534,484	58,275	4,592,759
<b>EXPENSES:</b>						
Program services	2,573,288	-	2,573,288	2,713,337	-	2,713,337
Administration	221,826	-	221,826	222,635	-	222,635
Fundraising	547,927	-	547,927	521,701	-	521,701
Total expenses	<u>3,343,041</u>	<u>-</u>	<u>3,343,041</u>	<u>3,457,673</u>	<u>-</u>	<u>3,457,673</u>
Excess of revenues over expenses	676,386	10,535,704	11,212,090	1,076,811	58,275	1,135,086
Net assets released from restrictions	<u>17,406</u>	<u>(17,406)</u>	<u>-</u>	<u>53,539</u>	<u>(53,539)</u>	<u>-</u>
CHANGE IN NET ASSETS	693,792	10,518,298	11,212,090	1,130,350	4,736	1,135,086
NET ASSETS, BEGINNING OF YEAR	<u>12,276,144</u>	<u>2,244,781</u>	<u>14,520,925</u>	<u>11,145,794</u>	<u>2,240,045</u>	<u>13,385,839</u>
NET ASSETS, END OF YEAR	<u>\$ 12,969,936</u>	<u>\$ 12,763,079</u>	<u>\$ 25,733,015</u>	<u>\$ 12,276,144</u>	<u>\$ 2,244,781</u>	<u>\$ 14,520,925</u>

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, 2021 AND 2020**

	2021				2020			
	Program Services	Administration	Fundraising	Total	Program Services	Administration	Fundraising	Total
Salaries	\$ 1,158,035	\$ 43,976	\$ 263,856	\$ 1,465,867	\$ 1,395,280	\$ 51,047	\$ 255,234	\$ 1,701,561
Employee benefits	281,444	10,688	64,127	356,259	329,637	12,060	60,300	401,997
Loss on disposal of assets	153,605	5,833	34,999	194,437	-	-	-	-
Depreciation	143,626	5,454	32,725	181,805	152,206	5,568	27,842	185,616
Payroll taxes	121,942	4,631	27,784	154,357	118,712	4,343	21,716	144,771
Repairs and maintenance	116,692	4,431	26,588	147,711	85,926	3,144	15,718	104,788
Medical	140,430	-	-	140,430	168,369	-	-	168,369
Professional fees	-	132,142	-	132,142	-	132,723	-	132,723
Utilities	69,583	2,643	15,854	88,080	48,654	1,780	8,900	59,334
Contracted services	59,262	2,250	13,503	75,015	137,850	5,043	25,216	168,109
Animal supplies	71,015	-	-	71,015	87,390	-	-	87,390
Processing fees	53,615	2,036	12,216	67,867	-	-	40,428	40,428
Insurance	43,577	1,655	9,929	55,161	44,614	1,632	8,161	54,407
Information technology	30,055	1,141	6,848	38,044	30,245	1,106	5,532	36,883
Office supplies	25,598	972	5,832	32,402	27,427	1,003	5,017	33,447
Printing and postage	22,042	837	5,023	27,902	14,577	533	2,667	17,777
Telephone and internet	19,140	727	4,361	24,228	15,474	566	2,831	18,871
Interest	17,301	657	3,942	21,900	20,924	766	3,828	25,518
Transportation	15,289	581	3,484	19,354	17,780	650	3,252	21,682
Equipment	8,510	323	1,939	10,772	4,068	150	744	4,962
Thrift shop commissions	-	-	9,823	9,823	-	-	31,717	31,717
Miscellaneous	7,041	268	1,604	8,913	3,867	142	708	4,717
Dues and subscriptions	5,790	220	1,319	7,329	3,720	136	680	4,536
Storage	4,302	163	980	5,445	2,440	90	446	2,976
Advertising	4,003	152	912	5,067	2,565	94	469	3,128
Licenses and fees	1,224	46	279	1,549	1,612	59	295	1,966
Education	167	-	-	167	-	-	-	-
<b>Total</b>	<b>\$ 2,573,288</b>	<b>\$ 221,826</b>	<b>\$ 547,927</b>	<b>\$ 3,343,041</b>	<b>\$ 2,713,337</b>	<b>\$ 222,635</b>	<b>\$ 521,701</b>	<b>\$ 3,457,673</b>

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, 2021 AND 2020**

	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 11,212,090	\$ 1,135,086
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	181,805	185,616
Loss on disposal of fixed assets	194,437	-
Unrealized gain on investments	(283,577)	(788,878)
Realized (gain) loss on investments	(198,185)	132,160
Increase in contributions receivable	(3,619,189)	(21,359)
Increase in accounts receivable	(273,607)	(42,227)
Decrease in inventory	8,104	23,278
(Increase) decrease in prepaid expenses and other assets	(7,377)	19,462
Increase in security deposits	(200)	-
Increase in accounts payable and accrued expenses	887,946	133,056
Decrease in deferred revenue	-	(52,250)
	<u>8,102,247</u>	<u>723,944</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Payments on mortgage receivable	11,583	11,789
Purchase of investments	(3,375,813)	(1,894,112)
Sale of investments	3,511,660	2,088,490
Increase in construction-in-progress	(3,507,618)	(1,391,462)
Purchase of fixed assets	(28,710)	(65,677)
	<u>(3,388,898)</u>	<u>(1,250,972)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from line of credit	-	85,000
Payment on line of credit	(320,000)	-
	<u>(320,000)</u>	<u>85,000</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>4,393,349</b>	<b>(442,028)</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>1,120,122</b>	<b>1,562,150</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 5,513,471</b>	<b>\$ 1,120,122</b>
<b>SUPPLEMENTAL CASH FLOW INFORMATION:</b>		
Retirement of fully depreciated fixed assets	\$ 401,776	\$ 40,988
<b>CASH PAID DURING THE YEAR FOR:</b>		
Interest	\$ 21,900	\$ 25,518

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



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

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**(1) Nature of organization:**

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 27,500 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, 2021 and 2020.

**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, net -**

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. As of December 31, 2021 and 2020, the discount for contributions receivable totaled \$224,287 and \$22,642, respectively. This resulted in a net contributions receivable as of December 31, 2021 and 2020 of \$3,996,547 and \$377,358, respectively.

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

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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
Website	3 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, 2021 and 2020.

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

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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 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, 2021 and 2020, ARF has met the provisions of and is in compliance with these requirements and no obligation currently exists.

Revenue recognition -

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

Contributions and grants - Contributions and grants 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 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 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.

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

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Liquidity considerations -

Quantitative

As of December 31, 2021, ARF has \$1,000,373 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 2018.

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 and Statements of Cash Flows have been made to conform to the current year presentation. These reclassifications had no effect on the increase in net assets for the year ended December 31, 2020.

**(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.

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

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, 2021 and 2020, 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, 2021 and 2020 were as follows:

	2021		2020	
	Fair Value	Cost	Fair Value	Cost
Mutual funds	\$ 6,762,733	\$ 5,342,556	\$ 6,416,818	\$ 5,347,381

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, 2021 and 2020 are comprised of the following:

	2021	2020
Land	\$ 384,432	\$ 384,432
Buildings and improvements	5,940,478	6,275,045
Equipment and fixtures	156,472	176,538
Vehicles	554,409	572,842
Website	2,875	2,875
	7,038,666	7,411,732
Less: accumulated depreciation	3,402,495	3,428,029
Fixed assets, net	\$ 3,636,171	\$ 3,983,703

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

**(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 2021 and 2020, ARF received \$553,353 and \$282,618, 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, 2021 and 2020 was \$46,448 and \$58,031, respectively. ARF is collecting monthly installments of \$1,229, including interest of 6.00%, with satisfaction of the mortgage in June 2025 or when the mortgagee has transferred the underlying house that secures the mortgage.

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>
2022	\$ 12,297
2023	13,055
2024	13,860
2025	7,236
	<u>\$ 46,448</u>

**(7) Contributions receivable, net:**

Contributions receivable consist of unconditional promises to give. The significant majority of which are donor restricted and are as follows as of December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Contributions receivable	\$ 4,220,834	\$ 400,000
Less: unamortized discount	<u>(224,287)</u>	<u>(22,642)</u>
Net contributions receivable	<u>\$ 3,996,547</u>	<u>\$ 377,358</u>
Amounts due in:		
One year or less	\$ 1,055,536	\$ 377,358
Two to five years	<u>2,941,011</u>	<u>-</u>
Net contributions receivable	<u>\$ 3,996,547</u>	<u>\$ 377,358</u>

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

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Discount rates used to calculate the net present value of the contributions ranged from 1.97% to 2.26% in 2021 and was 6% in 2020.

**(8) Paycheck Protection Program:**

On April 24, 2020, ARF received loan proceeds in the amount of \$456,600 to fund payroll and benefits, rent and utilities, through the Paycheck Protection Program (the "PPP") under the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), which was enacted on March 27, 2020. In accordance with U.S. generally accepted accounting principles, ARF has opted to account for its PPP loan as an in-substance conditional government grant, which should be recognized in income when all conditions or measurable barriers have been substantially met. ARF believes all conditions and measurable barriers have been met during the fiscal year ended December 31, 2020. Accordingly, ARF has recorded proceeds as revenue, which is reflected in grants in the accompanying Statements of Activities and Changes in Net Assets.

On February 1, 2021, ARF received a second draw loan in the amount of \$456,600. In accordance with generally accepted accounting principles, ARF has also opted to account for its PPP loan as an in-substance conditional government grant, which should be recognized in income when all conditions or measurable barriers have been substantially met. ARF believes all conditions and measurable barriers have been met during the fiscal year ended December 31, 2021. Accordingly, ARF has recorded the proceeds as revenue, which is reflected in grants in the accompanying Statements of Activities and Changes in Net Assets.

**(9) Employee retention credit:**

The CARES Act provides an employee retention credit ("ERC"), which is a refundable tax credit against certain employment taxes of up to \$5,000 per employee for eligible employers. The tax credit is equal to 50% of qualified wages paid to employees during all quarters, capped at \$10,000 of qualified wages per employee through December 31, 2020. Additional relief provisions were passed by the United States government, which extended and slightly expanded the qualified wage caps on these credits through December 31, 2021. Based on these additional provisions, the tax credit is now equal to 70% of qualified wages (\$7,000 per employee, for eligible employers) paid to employees during a quarter, and the limit on qualified wages per employee has been increased to \$10,000 of qualified wages per quarter. ARF qualifies for the tax credit under the CARES Act. During the fiscal year ended December 31, 2021, the Company recorded \$263,828 related to the ERC. As of December 31, 2021, ARF has a \$263,828 receivable balance.

**(10) Line of credit:**

ARF has an operating 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 rate (3.25% as of December 31, 2021) less 1% (2.25% as of December 31, 2021) and are collateralized by the assets of ARF. As of December 31, 2021 and 2020, \$640,000 and \$960,000, respectively, was outstanding on this line of credit.

Interest expense related to the line of credit for the years ended December 31, 2021 and 2020 was \$21,900 and \$25,518, respectively.

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

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**(11) Net assets with donor restrictions:**

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

	<u>2021</u>	<u>2020</u>
Capital Campaign	\$ 11,509,005	\$ 977,359
Vandivert Fund	140,000	140,000
PUP program	67,624	69,391
Sampson mortgage receivable	<u>46,448</u>	<u>58,031</u>
	<u>\$ 11,763,077</u>	<u>\$ 1,244,781</u>

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>2021</u>	<u>2020</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, 2021 and 2020.

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



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

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**(12) 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 contributes a non-discretionary dollar for dollar up to 4%, vested immediately. In 2021 and 2020, ARF's matching contribution amounted to 2% of gross wages. For the years ended December 31, 2021 and 2020, ARF incurred 401(k) match expenses of \$36,453 and \$33,584, respectively. These amounts are included in employee benefits in the Statements of Functional Expenses.

**(13) Commitments and contingencies:**

COVID-19 -

In March 2020, the World Health Organization declared the outbreak of 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 has impacted various parts of its operations and financial results. Management believes ARF is taking appropriate actions to mitigate any negative impact. In connection therewith, ARF received two PPP loans in connection with the CARES Act (See Note 8) and also qualified for the ERC (See Note 9). However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events are still ongoing.

**(14) 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. As of December 31, 2021 and 2020 cash in excess of federally insured limits totaled \$4,765,003 and \$480,045, respectively.

**(15) Subsequent events:**

ARF has evaluated subsequent events through August 12, 2022, which is the date the financial statements were available to be issued. Based on this evaluation, ARF has determined there are no matters which require disclosure in the financial statements.