



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

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

**AS OF AND FOR THE YEARS ENDED  
DECEMBER 31, 2024 AND 2023**

**ANIMAL RESCUE FUND OF THE HAMPTONS, INC.  
INDEX TO FINANCIAL STATEMENTS  
AS OF AND FOR THE YEARS ENDED  
DECEMBER 31, 2024 AND 2023**

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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. ("ARF", a nonprofit organization), which comprise the statements of financial position as of December 31, 2024 and 2023, 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, 2024 and 2023, 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 ARF 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 ARF'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 ARF'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 ARF'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 2, 2025

*Nawrocki Smith LLP*

**ANIMAL RESCUE FUND OF THE HAMPTONS, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**AS OF DECEMBER 31, 2024 AND 2023**

ASSETS	2024	2023
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 1,625,386	\$ 837,534
Investments	3,235,822	2,933,180
Accounts receivable	336,259	341,355
Contributions receivable, net, current portion	1,022,096	1,107,220
Mortgage receivable, current portion	7,236	13,860
Inventory	28,183	32,356
Prepaid expenses and other assets	20,171	17,916
<b>Total current assets</b>	<b>6,275,153</b>	<b>5,283,421</b>
Fixed assets, net	22,623,699	3,297,376
Construction-in-progress	-	19,245,460
Right-of-use assets, net - financing	7,339	4,252
Mortgage receivable, net, noncurrent portion	-	7,236
Contributions receivable, net, noncurrent portion	-	1,030,260
Restricted investments	1,000,000	1,000,000
Security deposits	-	200
<b>Total assets</b>	<b>\$ 29,906,191</b>	<b>\$ 29,868,205</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES:</b>		
Line of credit	\$ -	\$ 1,065,500
Construction project loan	502,003	1,648,228
Accounts payable and accrued expenses	244,532	183,838
Current portion of lease liabilities - financing	3,573	1,570
Deferred revenue	687,805	67,613
<b>Total current liabilities</b>	<b>1,437,913</b>	<b>2,966,749</b>
Lease liabilities, net of current portion - financing	4,029	2,835
<b>Total liabilities</b>	<b>1,441,942</b>	<b>2,969,584</b>
<b>NET ASSETS:</b>		
Without donor restrictions:		
Board designated for ARF Securing Our Future Campaign	3,881,359	3,622,565
Board designated for Fixed Assets	22,245,691	7,607,568
<b>Total net assets without donor restrictions</b>	<b>26,127,050</b>	<b>11,230,133</b>
With donor restrictions	2,337,199	15,668,488
<b>Total net assets</b>	<b>28,464,249</b>	<b>26,898,621</b>
<b>Total liabilities and net assets</b>	<b>\$ 29,906,191</b>	<b>\$ 29,868,205</b>

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, 2024 AND 2023**

	2024			2023		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>PUBLIC SUPPORT:</b>						
Contributions	\$ 3,473,530	\$ 8,023	\$ 3,481,553	\$ 1,756,364	\$ 865,984	\$ 2,622,348
Special events, net of direct expenses	1,255,387	-	1,255,387	1,056,076	-	1,056,076
In-kind donations	528,311	-	528,311	-	-	-
Donated goods	564,694	-	564,694	508,902	-	508,902
 Total public support	 5,821,922	 8,023	 5,829,945	 3,321,342	 865,984	 4,187,326
<b>REVENUES:</b>						
Investment return, net	528,270	-	528,270	719,400	-	719,400
Obedience training	111,636	-	111,636	43,218	-	43,218
Adoptions	84,600	-	84,600	57,825	-	57,825
Other income	36,831	-	36,831	16,825	-	16,825
Operation Cat	10,455	-	10,455	10,345	-	10,345
 Total revenues	 771,792	 -	 771,792	 847,613	 -	 847,613
 Total public support and revenues	 6,593,714	 8,023	 6,601,737	 4,168,955	 865,984	 5,034,939
<b>EXPENSES:</b>						
Program services	3,933,940	-	3,933,940	2,857,690	-	2,857,690
Administration	185,629	-	185,629	207,627	-	207,627
Fundraising	916,540	-	916,540	746,073	-	746,073
 Total expenses	 5,036,109	 -	 5,036,109	 3,811,390	 -	 3,811,390
 Excess (deficiency) of revenues over (under) expenses	 1,557,605	 8,023	 1,565,628	 357,565	 865,984	 1,223,549
 Net assets released from restrictions	 13,339,312	 (13,339,312)	 -	 17,932	 (17,932)	 -
 CHANGE IN NET ASSETS	 14,896,917	 (13,331,289)	 1,565,628	 375,497	 848,052	 1,223,549
 NET ASSETS, BEGINNING OF YEAR	 11,230,133	 15,668,488	 26,898,621	 10,854,636	 14,820,436	 25,675,072
 NET ASSETS, END OF YEAR	 <u>\$ 26,127,050</u>	 <u>\$ 2,337,199</u>	 <u>\$ 28,464,249</u>	 <u>\$ 11,230,133</u>	 <u>\$ 15,668,488</u>	 <u>\$ 26,898,621</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, 2024 AND 2023**

	2024				2023			
	Program Services	Administration	Fundraising	Total	Program Services	Administration	Fundraising	Total
Salaries	\$ 1,715,721	\$ 21,718	\$ 434,360	\$ 2,171,799	\$ 1,377,843	\$ 36,259	\$ 398,849	\$ 1,812,951
In-kind donations	417,366	5,283	105,662	528,311	-	-	-	-
Employee benefits	341,052	4,317	86,342	431,711	307,904	8,103	89,130	405,137
Depreciation and amortization	330,103	4,179	83,570	417,852	138,756	3,652	40,166	182,574
Medical	215,520	-	-	215,520	191,843	-	-	191,843
Payroll taxes	153,179	1,939	38,779	193,897	122,139	3,214	35,356	160,709
Repairs and maintenance	121,009	1,532	30,635	153,176	95,213	2,506	27,562	125,281
Professional fees	-	139,802	-	139,802	-	139,802	-	139,802
Utilities	107,742	1,364	27,277	136,383	105,592	2,778	30,566	138,936
Contracted services	90,479	1,145	22,906	114,530	38,698	1,018	11,202	50,918
Animal supplies	97,987	-	-	97,987	88,325	-	-	88,325
Insurance	66,147	837	16,746	83,730	56,897	1,497	16,470	74,864
Processing fees	52,775	668	13,361	66,804	40,082	1,055	11,603	52,740
Office supplies	38,890	492	9,845	49,227	29,761	783	8,615	39,159
Printing and postage	34,162	432	8,649	43,243	31,699	834	9,176	41,709
Information technology	32,929	417	8,336	41,682	68,989	1,816	19,971	90,776
Interest	31,052	393	7,861	39,306	99,063	2,607	28,676	130,346
Transportation	27,554	349	6,975	34,878	16,674	439	4,827	21,940
Miscellaneous	25,014	317	6,333	31,663	18,001	474	5,211	23,686
Telephone and internet	12,642	160	3,200	16,002	13,665	360	3,956	17,981
Equipment	9,087	115	2,301	11,503	5,335	140	1,544	7,019
Advertising	8,231	104	2,084	10,419	5,451	143	1,578	7,172
Storage	2,128	27	539	2,694	2,189	58	634	2,881
Dues and subscriptions	1,819	23	460	2,302	2,015	53	583	2,651
Licenses and fees	1,261	16	319	1,596	1,376	36	398	1,810
Education	92	-	-	92	180	-	-	180
Total	<u>\$ 3,933,940</u>	<u>\$ 185,629</u>	<u>\$ 916,540</u>	<u>\$ 5,036,109</u>	<u>\$ 2,857,690</u>	<u>\$ 207,627</u>	<u>\$ 746,073</u>	<u>\$ 3,811,390</u>

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, 2024 AND 2023**

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 1,565,628	\$ 1,223,549
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	417,852	182,574
Loss on disposal of website	-	34,020
Financing lease	94	35
Unrealized gain on investments	(163,641)	(492,599)
Realized gain on investments	(169,560)	(144,386)
Decrease in contributions receivable	1,115,384	1,196,533
(Increase) decrease in accounts receivable	5,096	(18,191)
(Increase) decrease in inventory	4,173	(568)
Increase in prepaid expenses and other assets	(2,255)	(7,486)
Decrease in security deposits	200	-
Increase (decrease) in accounts payable and accrued expenses	60,694	(2,094,118)
Increase in deferred revenue	620,192	4,338
Net cash provided by (used in) operating activities	3,453,857	(116,299)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Payments on mortgage receivable	13,860	13,055
Purchase of investments	(768,228)	(357,120)
Sale of investments	798,787	2,379,822
Increase (decrease) in construction-in-progress	19,245,460	(3,069,249)
Purchase of fixed assets	(19,741,243)	(8,855)
Net cash used in investing activities	(451,364)	(1,042,347)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from construction project loan	-	2,972,000
Payment on construction project loan	(1,146,225)	(1,323,772)
Payment on line of credit	(1,065,500)	(900,000)
Reduction of finance lease liability	(2,916)	(1,570)
Net cash provided by (used in) financing activities	(2,214,641)	746,658
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	787,852	(411,988)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	837,534	1,249,522
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 1,625,386	\$ 837,534
SUPPLEMENTAL CASH FLOW INFORMATION:		
Right-of-use assets obtained in exchange for finance lease liability	\$ 6,019	\$ -
CASH PAID DURING THE YEAR FOR:		
Interest	\$ 39,306	\$ 130,346

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) Organization and nature of activities:**

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. Through a vast network of volunteers Operation Cat ("Op Cat") humanely reduces the growing number and needless suffering of homeless, feral and stray cats by using an effective trap/neuter/return strategy ("TNR"). Volunteer caretakers provide food, water and shelter for over 1,000 cat colonies, ranging in size from two to thirty cats. They trap the cats, bring them to the Adoption Center where they are altered and vaccinated, and then release them back to their colony. One of the cat's ears is notched to identify it as an altered cat so it is not mistakenly trapped again. Since the program's inception in 1997, over 35,000 feral cats from Speonk to Montauk and most recently Brookhaven township have been altered. ARF's Op Cat program offers free spay/neuter surgeries for free roaming cats trapped in the Towns of East Hampton, Southampton, Shelter Island and Brookhaven.

**(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 ("GAAP"), 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. Net assets without donor restrictions may be designated for specific purposes by action of the Board of Directors.

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, but allows for the expenditure of net investment income and gains earned on the corpus for either specified or unspecified purposes. ARF has elected to show restricted support for which restrictions are met in the same reporting period as support within net assets without donor restrictions.

**Cash and cash equivalents -**

All highly liquid investments purchased with an original maturity of three months or less from the date of purchase are considered to be cash equivalents for financial statement purposes.

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

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Liquidity considerations -

Quantitative

As of December 31, 2024, ARF has \$4,882,364 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.

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 of 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, 2024 and 2023, the discount for contributions receivable totaled \$102,904 and \$184,201, respectively. This resulted in a net contributions receivable as of December 31, 2024 and 2023 of \$1,022,096 and \$2,137,480, respectively.

Inventory -

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

Investments -

All investments are presented at fair value. Fair values are based on quoted market prices, if available, or estimated using quoted market prices for similar securities. Realized and unrealized gains and losses on investments are determined by comparison of the actual cost to the proceeds at the time of the disposition or market values as of the end of the financial statement period. See Note 3 for discussion of fair market value.

Gains and losses, both realized and unrealized, resulting from increases or decreases in the fair value of investments are reflected in the Statement of Activities and Changes in Net Assets as increases or decreases in net assets without donor restrictions unless the use was restricted by explicit donor stipulations or by law. Investment income includes interest, recognized on the accrual basis and dividends which are recognized on the ex-dividend date.

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

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Fixed assets -

Fixed assets consist of building improvements, vehicles, furniture, fixtures and equipment, which are capitalized at cost, or if acquired by gift, at the approximate market value at date of gift. Such gifts are reported as unrestricted support unless the donor has restricted the donated assets for a specific purpose.

ARF follows the practice of capitalizing all expenditures in excess of \$1,000 with a useful life greater than one year. Depreciation is recorded on the straight-line method over the estimated useful lives of the assets as follows:

Buildings and improvements	31-40 years
Equipment and fixtures	5-20 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 ARF's financial position, results of activities or liquidity during the years ended December 31, 2024 and 2023.

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, 2024 and 2023, ARF has met the provisions of and is in compliance with these requirements and no obligation currently exists.

Right-of-use assets and lease liabilities -

ARF complies with the provisions of FASB Accounting Standards Update ("ASU") No. 2016-02, *Leases* ("Topic 842"). All leases entered into during the year were also required to be recognized and measured. In applying Topic 842, ARF made an accounting policy election not to recognize the right-of-use assets and lease liabilities relating to short-term leases.

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

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ARF determines if an arrangement is or contains a lease at inception. ARF's financing lease arrangement is comprised of a postage and copy machine. Right-of-use ("ROU") assets represent ARF's right to use the underlying asset for the lease terms and lease liabilities represent ARF's obligation to make lease payments arising from the leases. ROU assets and lease liabilities are recognized at the commencement date based on the present value of the lease payment over the lease terms. As ARF's leases do not provide an implicit rate and the implicit rate is not readily determinable, ARF estimates its incremental borrowing rate based on the information available at the commencement date in determining the present value of the lease payments. The ROU assets also excludes lease incentives.

Revenue recognition -

ARF complies with and accounts for its revenues in accordance with FASB ASC 958, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* and ASC 606, *Revenue from Contracts with Customers*.

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 restriction. 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.

In-kind donations -

Noncash donations are recorded as contributions at their fair market value at their date of donation. ARF reports the donations as unrestricted support, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets must be used, and gifts of cash or other assets that must be used to acquire long-lived assets must be maintained, ARF reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service. See Note 8 for more information.

Donated assets -

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

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

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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 medical costs which are allocated on the basis of estimates of time and effort. Depreciation and amortization are allocated on the basis of square footage and use, and all other expenses are allocated on a systematic and rational basis.

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 -

ARF recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Management has determined that ARF had no uncertain tax positions that would require financial statement recognition. ARF is no longer subject to examination by the applicable taxing jurisdictions for tax years prior to 2021.

The use of estimates in preparation of financial statements -

The preparation of financial statements in conformity with GAAP 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 Statement of Financial Position and Statement of Activities and Changes in Net Assets have been made to conform to the current year presentation. This reclassification had no effect on the change in net assets for the year ended December 31, 2023.

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

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**(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.

ARF's financial instruments consist of mutual funds only. The fair value and historical cost of ARF's mutual funds as of December 31, 2024 and 2023 were as follows:

	2024		2023	
	Fair Value	Cost	Fair Value	Cost
Mutual funds	\$ 4,235,822	\$ 3,618,951	\$ 3,933,180	\$ 3,479,950

ARF's investments are measured at fair value by level 1 valuation methodology. As of December 31, 2024 and 2023, ARF did not possess any level 2 or 3 type of investments.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used as of December 31, 2024 and 2023.

Mutual funds are measured using quoted market prices at the report date multiplied by the quantity held. The carrying value equals fair value.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although ARF believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

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

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**(4) Fixed assets:**

Fixed assets as of December 31, 2024 and 2023 are comprised of the following:

	2024	2023
Land	\$ 384,432	\$ 384,432
Buildings and improvements	25,599,730	5,940,478
Equipment and fixtures	190,005	118,103
Vehicles	545,084	554,409
Website	2,875	2,875
	26,722,126	7,000,297
Less: accumulated depreciation	4,098,427	3,702,921
Fixed assets, net	<u>\$ 22,623,699</u>	<u>\$ 3,297,376</u>

Depreciation expense on fixed assets for the year ended December 31, 2024 and 2023 was \$414,920 and \$180,979, respectively.

**(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 2024 and 2023, ARF received \$564,694 and \$508,902, respectively, in donated items. 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, 2024 and 2023 was \$7,236 and \$21,096, 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>
2025	<u>\$ 7,236</u>

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

**(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, 2024 and 2023:

	2024	2023
Contributions receivable	\$ 1,125,000	\$ 2,321,681
Less: unamortized discount	(102,904)	(184,201)
Net contributions receivable	<u>\$ 1,022,096</u>	<u>\$ 2,137,480</u>
Amounts due in:		
One year or less	\$ 1,022,096	\$ 1,107,220
Two to five years	-	1,030,260
Net contributions receivable	<u>\$ 1,022,096</u>	<u>\$ 2,137,480</u>

Discount rates used to calculate the net present value of the contributions ranged from 1.97% to 5.12%.

**(8) In-kind donations:**

The in-kind donations as of December 31, 2024 and 2023 are comprised of the following:

Source	Purpose	2024	2023
Marders	Landscaping	\$ 513,393	\$ -
Various	Supplies	14,918	-
		<u>\$ 528,311</u>	<u>\$ -</u>

ARF recognized the in-kind donation within revenue. Unless otherwise noted, the in-kind donation did not have donor-imposed restrictions. In-kind donated services were comprised of landscaping services including plant beds, walking trails, and transplants as well as every day supplies used by ARF.

**(9) Leases:**

ARF evaluated current contracts to determine which met the criteria of a lease. The ROU assets represents ARF's right to use underlying assets for the lease terms, and the lease liabilities represent ARF's obligation to make lease payments arising from these leases. The ROU assets and lease liabilities were calculated based on the present value of future lease payments over the lease terms. ARF has made an accounting policy election to use a risk-free rate in lieu of its incremental borrowing rate to discount future lease payments. The weighted-average discount rate applied to calculate lease liabilities was 4.42% for financing leases.

As of December 31, 2024, the weighted-average remaining lease terms for ARF's financing leases was approximately 2 years.

Cash paid for the financing leases for the year ended December 31, 2024 was \$3,305. There were no noncash investing and financing transactions related to leasing.



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

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Future maturities of lease liabilities are presented in the following table, for the fiscal years ending December 31:

<u>Years Ending December 31,</u>	<u>Amount</u>
2025	\$ 3,823
2026	3,411
2027	725
Total	7,959
Less: discount to present value	(357)
	<u>\$ 7,602</u>

**(10) 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. As of December 31, 2024 and 2023, ARF has a \$78,974 receivable balance, respectively.

**(11) 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 less 1%. The prime rate as of December 31, 2024 and 2023 was 7.50% and 8.50%, respectively. Borrowings are collateralized by the assets of ARF. As of December 31, 2024 and 2023, \$0 and \$1,065,500, respectively, was outstanding on this line of credit. Interest expense related to the line of credit for the years ended December 31, 2024 and 2023 was \$39,029 and \$130,234, respectively.

**(12) Construction project loan:**

In December 2022, ARF entered into a draw down bridge loan with a financial institution, which provides for maximum borrowings of \$3,000,000 to bridge the timing gap between the collections of capital campaign pledges. Borrowings under this loan bear interest at a floating rate of prime minus 50 basis points with a floor of 5.75%. Borrowings are collateralized by the assets of ARF. The outstanding loan principal as of December 31, 2024 and 2023 was \$502,003 and \$1,648,228, respectively.

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

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

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

	2024	2023
Capital Campaign	\$ 1,125,000	\$ 14,450,451
Vandivert Fund	140,000	140,000
PUP program	64,963	56,941
Sampson mortgage receivable	7,236	21,096
	<u>\$ 1,337,199</u>	<u>\$ 14,668,488</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:

	2024	2023
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, 2024 and 2023.

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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**(14) 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. For the years ended December 31, 2024 and 2023, ARF incurred 401(k) match expenses of \$50,980 and \$45,324, respectively. These amounts are included in employee benefits in the Statements of Functional Expenses.

**(15) 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, 2024 and 2023 cash in excess of federally insured limits totaled \$1,250,851 and \$430,453, respectively.

**(16) Subsequent events:**

ARF has evaluated subsequent events through August 2, 2025, 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.