



HUMANE SOCIETY OF NEW YORK
FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITOR'S REPORT
December 31, 2019

HUMANE SOCIETY OF NEW YORK

CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS	
Statements of Financial Position	2
Statements of Activities	3
Statements of Functional Expenses	4 - 5
Statements of Cash Flows	6
NOTES TO FINANCIAL STATEMENTS	7 - 11



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Humane Society of New York
New York, New York

Report on the Financial Statements

We have audited the accompanying financial statements of Humane Society of New York (a nonprofit organization), which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Humane Society of New York 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.

Adeptus Partners, LLC

New York, New York
October 6, 2020

HUMANE SOCIETY OF NEW YORK
STATEMENTS OF FINANCIAL POSITION
December 31, 2019 and 2018

	ASSETS	
	<u>2019</u>	<u>2018</u>
ASSETS:		
Cash and Cash Equivalents	\$ 18,625,648	\$ 19,199,523
Clinic Accounts Receivable, Net of Allowance for Doubtful Accounts of \$427,387 and \$377,179, respectively	26,289	29,810
Other Receivables	0	2,000
Medical and Supplies Inventories	501,725	443,918
Prepaid Expenses and Other	22,449	28,105
Investment Securities, at Fair Value	16,572,173	13,648,632
Property and Equipment, Net	<u>6,137,174</u>	<u>6,268,117</u>
TOTAL ASSETS:	<u>\$ 41,885,458</u>	<u>\$ 39,620,105</u>
	LIABILITIES AND NET ASSETS	
LIABILITIES:		
Accounts Payable and Accrued Expenses	\$ 383,136	\$ 363,702
Compensation and Benefits Payable	<u>97,145</u>	<u>77,351</u>
TOTAL LIABILITIES	480,281	441,053
NET ASSETS:		
Without Donor Restrictions	<u>41,405,177</u>	<u>39,179,052</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 41,885,458</u>	<u>\$ 39,620,105</u>

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

HUMANE SOCIETY OF NEW YORK
STATEMENTS OF ACTIVITIES
For the Years Ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Changes in Net Assets Without Restrictions		
Support and Revenue:		
Clinic and Adoption Fees	\$ 2,863,355	\$ 3,095,321
Grants and Bequests	1,567,319	2,048,044
Contributions	1,031,545	1,061,909
Special Events	76,727	137,459
Clinic Revenue - In-kind	3,206,054	3,007,561
Net Investment Income (Loss)	<u>3,187,226</u>	<u>(331,026)</u>
Total Support and Revenue	<u>11,932,226</u>	<u>9,019,268</u>
Expenses:		
Program Services:		
Animal Medical Care	3,702,589	3,653,025
Animal Shelter and Adoptions	1,524,534	1,451,680
Clinic Expense - In-kind	3,206,054	3,007,561
Public Education	371,916	358,476
Supporting Services:		
Fundraising and Publicity	269,062	325,076
Management and General	<u>631,947</u>	<u>424,299</u>
Total Expenses	<u>9,706,101</u>	<u>9,220,117</u>
Change in Net Assets	2,226,125	(200,849)
Net Assets - Beginning of Year	<u>39,179,052</u>	<u>39,379,901</u>
Net Assets - End of Year	<u>\$ 41,405,177</u>	<u>\$ 39,179,052</u>

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

HUMANE SOCIETY OF NEW YORK
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2019

	2019					
	PROGRAM SERVICES			SUPPORTING SERVICES		TOTAL
	Animal Medical Care	Animal Shelter and Adoptions	Public Education	Fund Raising and Publicity	Management and General	
Salaries	\$ 1,748,645	\$ 971,469	\$ 259,058	\$ 97,147	\$ 161,912	\$ 3,238,231
Employee Benefits and Payroll Taxes	239,315	132,953	35,454	13,295	22,159	443,176
Total Salaries and Benefits	1,987,960	1,104,422	294,512	110,442	184,071	3,681,407
Drugs, Medical Supplies and Services	1,392,321	125,313	-	-	-	1,517,634
Consulting and Professional Fees	3,647	-	29,997	15,003	250,092	298,739
Animal Food	13,157	56,975	-	-	-	70,132
Provision for Doubtful Accounts	59,413	-	-	-	-	59,413
Occupancy - Utilities and Storage	39,298	26,913	5,334	5,334	5,194	82,073
Repairs and Maintenance	48,198	30,764	3,680	3,680	5,825	92,147
Credit Card and Bank Charges	54,883	2,583	-	11,128	107,608	176,202
Telephone	608	405	203	608	203	2,027
Office Expenses	31,643	16,361	10,316	59,629	26,640	144,589
Insurance	42,882	23,769	6,353	2,491	4,311	79,806
Special Events	-	-	-	31,725	-	31,725
Miscellaneous	12,798	31,396	394	7,895	26,876	79,359
Total Expenses Before Depreciation	3,686,808	1,418,901	350,789	247,935	610,820	6,315,253
Depreciation Expense	15,781	105,633	21,127	21,127	21,127	184,794
TOTAL EXPENSES	\$ 3,702,589	\$ 1,524,534	\$ 371,916	\$ 269,062	\$ 631,947	\$ 6,500,047

The accompanying notes are an integral part of this financial statement.

HUMANE SOCIETY OF NEW YORK
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2018

	2018					
	PROGRAM SERVICES			SUPPORTING SERVICES		TOTAL
	Animal Medical Care	Animal Shelter and Adoptions	Public Education	Fund Raising and Publicity	Management and General	
Salaries	\$ 1,697,630	\$ 938,828	\$ 250,229	\$ 92,198	\$ 156,783	\$ 3,135,668
Employee Benefits and Payroll Taxes	225,859	124,726	33,238	12,178	20,843	416,844
Total Salaries and Benefits	1,923,489	1,063,554	283,467	104,376	177,626	3,552,512
Drugs, Medical Supplies and Services	1,402,482	105,038	-	-	-	1,507,520
Consulting and Professional Fees	6,329	-	29,997	15,003	74,110	125,439
Animal Food	13,334	50,645	-	-	-	63,979
Provision for Doubtful Accounts	56,829	-	-	-	-	56,829
Occupancy - Utilities and Storage	39,756	26,746	4,729	4,729	4,729	80,689
Repairs and Maintenance	42,800	30,746	3,621	3,621	3,996	84,784
Credit Card and Bank Charges	57,534	2,707	-	13,338	88,326	161,905
Telephone	1,283	855	428	1,283	428	4,277
Office Expenses	30,710	15,507	8,968	59,721	22,320	137,226
Insurance	36,964	20,240	5,476	2,645	3,107	68,432
Special Events	-	-	-	93,102	-	93,102
Miscellaneous	9,399	30,009	663	6,131	28,531	74,733
Total Expenses Before Depreciation	3,620,909	1,346,047	337,349	303,949	403,173	6,011,427
Depreciation Expense	32,116	105,633	21,127	21,127	21,127	201,130
TOTAL EXPENSES	\$ 3,653,025	\$ 1,451,680	\$ 358,476	\$ 325,076	\$ 424,300	\$ 6,212,557

The accompanying notes are an integral part of this financial statement.

HUMANE SOCIETY OF NEW YORK
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$ 2,226,125	\$ (200,849)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by (Used in) Operating Activities:		
Net Realized and Unrealized Losses (Gains) on Investment Securities	(2,589,494)	672,651
Depreciation Expense	184,794	201,129
(Increase) Decrease in Operating Assets:		
Clinic Accounts Receivables	3,521	(4,897)
Other Receivable	2,000	27,764
Prepaid Expenses and Other	5,656	(13,845)
Medical and Supplies Inventories	(57,807)	(73,817)
Increase (Decrease) in Operating Liabilities:		
Accounts Payable and Accrued Expenses	19,434	152,000
Compensation and Benefits Payable	19,794	4,023
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>(185,977)</u>	<u>764,159</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from Sales of Investment Securities	4,716,418	1,243,869
Investment Purchases	(5,050,465)	(2,801,798)
Capital Improvements	(53,851)	(94,049)
NET CASH USED IN INVESTING ACTIVITIES	<u>(387,898)</u>	<u>(1,651,978)</u>
DECREASE IN CASH AND CASH EQUIVALENTS	(573,875)	(887,819)
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>19,199,523</u>	<u>20,087,342</u>
CASH AND CASH EQUIVALENTS - End of Year	<u>\$ 18,625,648</u>	<u>\$ 19,199,523</u>

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. NATURE OF OPERATIONS AND ACTIVITIES

Humane Society of New York (the Society) is organized as a non-profit corporation under the laws of the State of New York. The organization was formed to foster the humane care of animals. In carrying out this basic purpose, the Society has established facilities for a fully staffed clinic to furnish medical care to animals, as well as an animal shelter. The facilities are also used for an adoption program to place the animals with qualified new owners and to educate the public on the proper care and humane treatment of animals. The Society is supported primarily through clinic fees, donor contributions, grants and bequests and is exempt from taxes pursuant to Section 501(c)(3) of the Internal Revenue Code and accordingly, is not subject to Federal or state income taxes. The Society does not have any unrelated business income and accordingly, does not have any uncertain tax positions. Management believes it is no longer subject to income tax examinations for years prior to 2016.

B. BASIS OF ACCOUNTING

The Society's accounts are maintained, and its financial statements are prepared on the accrual basis in accordance with generally accepted accounting principles.

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services as detailed in the Statements of Functional Expenses.

C. ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

D. CONTRIBUTIONS AND PROMISES TO GIVE AND NET ASSETS

Contributions and bequests are recognized when received or when a donor makes an unconditional promise to give to the Society. The Society is required to report information regarding its financial position and activities according to two classes of net assets. Net assets of the Society and changes therein are classified and reported as follows:

Net assets without donor restrictions – Net assets that are not subject to stipulations. The Board of Directors will, at times, designate unrestricted net assets for a particular purpose of the Society. These net assets, if any, are shown separately on the statement of financial position.

Net assets with donor restrictions – Net assets subject to stipulations that will be met either by actions of the Society and/or the passage of time. As of December 31, 2019 and 2018, none of the Society's net assets have donor restrictions.

E. INVESTMENT SECURITIES

Investments in debt and equity securities are reported at their fair values in the statement of financial position. Fair value is determined using the account value on the last business day of the year utilizing statements received from the Society's brokerage firms. All valuations are based on level 1 standard (see Note 8). Realized and unrealized gains and losses are included in the change in net assets.

HUMANE SOCIETY OF NEW YORK
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

F. INVENTORIES

Drugs and medical supplies are valued using a method that approximates the lower of cost or net realizable value.

G. PROPERTY AND EQUIPMENT, NET

The Society follows the practice of capitalizing the cost of land, building and improvements and equipment. The fair market value of donated property and equipment is similarly capitalized. Maintenance and repair costs are expensed as incurred. Depreciation is calculated over the useful lives of the assets using the straight-line method as follows:

	<u>Years</u>
Buildings	40
Building Improvements	20
Equipment and Furniture	7 - 15
Automobile	5

H. FUNCTIONAL ALLOCATION OF EXPENSES

Expenses incurred to conduct the Society's program activities are allocated to the applicable programs utilizing specifically developed estimates for each vendor. Certain other indirect expenses have been allocated, when deemed practical, among program and supporting services.

I. DONATED MATERIALS

The Society receives donated products from various parties such as towels, sheets, etc. for the ultimate use by animals under its care. Since the Society is acting as an intermediary for the donors, such amounts are not included in contribution revenue in the accompanying financial statements.

J. CONTRIBUTED SERVICES

The value of contributed services meeting the requirements for recognition in the financial statements has been recorded. Many individuals volunteer their time and perform a variety of tasks that assist the Society in many ways.

K. CASH AND CASH EQUIVALENTS

The Society considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

L. RECLASSIFICATIONS

Certain reclassifications have been made to the 2018 financial statements in order to conform to the current year presentation.

M. SUBSEQUENT EVENTS

For the year ended December 31, 2019, the Society has evaluated subsequent events for potential recognition or disclosure through October 6, 2020, the date the financial statements were available for issuance.

HUMANE SOCIETY OF NEW YORK
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

NOTE 2. CLINIC ACCOUNTS RECEIVABLE

An analysis of clinic accounts receivable as of December 31 and for the year then ended is as follows:

	<u>2019</u>	<u>2018</u>
Gross accounts receivable from the Society's billing system commencing in 2007 for which partial payments have been received from clients	\$ 516,329	\$ 457,197
Less -		
Allowance for doubtful accounts - beginning of year	427,387	377,179
Net provision for doubtful accounts charged to expense arising primarily from the Society's partial funding of client accounts	<u>62,653</u>	<u>50,208</u>
Allowance for doubtful accounts - end of year	<u>490,040</u>	<u>427,387</u>
Clinic Accounts Receivable, net, recognized in the accompanying financial statements	<u>\$ 26,289</u>	<u>\$ 29,810</u>

In addition, the Society provides significant animal care to numerous other clients who do not have the ability to make any payments on their accounts. The Society never refuses to provide care in these situations and no invoice is generated by its billing system. Management estimates that billings for these services would have been approximately \$3,206,000 and \$3,008,000 for the years ended December 31, 2019 and 2018, respectively, if these clients had the ability to make any payments for such services.

NOTE 3. INVESTMENT SECURITIES

Investment securities as of December 31 consisted of the following:

	2019
	<u>Fair Value</u>
Fixed Income Securities	\$ 3,262,784
Equity Securities and Mutual Funds	13,192,849
Money Market Funds	<u>116,540</u>
Total	<u>\$ 16,572,173</u>

HUMANE SOCIETY OF NEW YORK
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

	2018
	Fair Value
Fixed Income Securities	\$ 2,202,290
Equity Securities and Mutual Funds	10,365,923
Money Market Funds	<u>1,080,419</u>
Total	<u>\$ 13,648,632</u>

An analysis of investment return, including cash equivalents, for the years ended December 31, is as follows:

	2019	2018
Interest and Dividends	\$ 490,124	\$ 429,951
Realized Gains	34,164	169,990
Unrealized Gains (Losses)	2,770,546	(842,641)
Investment Fees	<u>(107,608)</u>	<u>(88,326)</u>
Total	<u>\$ 3,187,226</u>	<u>\$ (331,026)</u>

NOTE 4. PROPERTY AND EQUIPMENT

The Society uses its buildings as its Animal Shelter and Hospital, as well as its Administrative Headquarters. The costs of operating and maintaining these buildings are reflected in current operations.

A summary of Property and Equipment at December 31, is as follows:

	2019	2018
Land	\$ 1,467,000	\$ 1,467,000
Buildings	5,568,393	5,568,393
Building Improvements	849,752	799,951
Equipment and Furniture	919,539	915,489
Automobile	<u>26,248</u>	<u>26,248</u>
Total	<u>8,830,932</u>	<u>8,777,081</u>
Less: Accumulated Depreciation	<u>(2,693,758)</u>	<u>(2,508,964)</u>
Net	<u>\$ 6,137,174</u>	<u>\$ 6,268,117</u>

NOTE 5. SPECIAL EVENTS

The Society sponsors fund-raising efforts at public events in New York City. Additional support was realized from the sale of animal related books, cards, T-shirts and other supplies. Special Event activities resulted in revenues of \$76,727 and \$137,459 for the years ended December 31, 2019 and 2018, respectively, which is reflected in the accompanying statements of activities.

NOTE 6. CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the Society to concentrations of credit risk consist principally of cash and cash equivalent accounts in financial institutions which exceed the Federal depository insurance coverage limits. Cash and cash equivalents exceeding such limits approximated \$18,126,000 and \$19,955,000 at December 31, 2019 and 2018, respectively, including money market funds included within investment portfolio accounts.

Concentration of credit risk associated with the two Society's investment portfolios is considered low due to the credit quality of the two financial institutions holding these investments.

NOTE 7. CONTINGENCIES

The Society from time to time may become involved in legal claims arising in the ordinary course of their activities. In the opinion of management, the outcome of any legal proceedings would be covered by the Society's insurance policies, subject to normal deductibles, and accordingly, would not have a material effect on its financial position or changes in net assets.

NOTE 8. FAIR VALUE MEASUREMENTS

The Society follows Fair Value Measurements, which applies to all assets and liabilities that are being measured and reported on a fair value basis. Fair Value Measurements requires disclosure that establishes a framework for measuring fair value in accounting principles generally accepted in the United States of America, and expands disclosure about fair value measurements. This measurement enables the reader of the financial statements to assess the inputs used to develop those measurements by establishing a hierarchy for ranking the quality and reliability of the information used to determine fair values. Fair Value Measurements requires that assets and liabilities carried at fair value be classified and disclosed in one of the following three categories:

Level 1: Quoted market prices in active markets for identical assets or liabilities.

Level 2: Observable market based inputs or unobservable inputs that are corroborated by market data.

Level 3: Unobservable inputs that are not corroborated by market data.

In determining the appropriate levels, the Society performs an annual analysis of the assets and liabilities that are subject to Fair Value Measurements.

All investment securities have been valued using level 1 standards indicated above. The carrying amounts of cash and cash equivalents, receivables, inventories, accounts payable and accrued expenses approximate fair value due to the short-term nature of these assets and liabilities.

NOTE 9. FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS

The Society's financial assets available within one year of the accompanying statement of financial position for general expenditures are as follows:

Financial assets, at year-end	
Cash and cash equivalents	\$ 18,625,648
Accounts receivable	26,289
Investments	<u>16,572,173</u>
Financial assets available at December 31, 2019	<u>35,224,110</u>