

The Humane Society of New York

Audited Financial Statements

December 31, 2023

The Humane Society of New York

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Independent Auditor's Report

To the Board of Directors
The Humane Society of New York

Opinion

We have audited the financial statements of The Humane Society of New York (the "Organization"), which comprise the statement of financial position as of December 31, 2023, the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of December 31, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS"). 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 the Organization and to meet our other 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 the 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 the Organization's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

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 GAAS 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 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 GAAS, 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 Organization'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 Organization'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.

Report on Summarized Comparative Information

We have previously audited the organization's 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 23, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Sax CPAs LLP

New York, NY
February 4, 2025

The Humane Society of New York

Statement of Financial Position

As of December 31, 2023
(With Summarized Comparative Totals as of December 31, 2022)

	December 31	
	2023	2022
ASSETS		
Cash and cash equivalents	\$ 940,458	\$ 5,496,018
Investments	33,689,861	29,626,783
Clinic accounts receivable, net of allowance for credit losses of \$125,298 and \$108,925 for 2023 and 2022, respectively	13,062	15,719
Medical and supplies inventories	412,478	291,371
Prepaid expenses	44,098	28,109
Other assets	4,260	4,260
Property and equipment, net	8,607,427	6,697,604
TOTAL ASSETS	\$ 43,711,644	\$ 42,159,864
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	\$ 522,499	\$ 501,349
Compensation and benefits payable	127,721	135,639
TOTAL LIABILITIES	650,220	636,988
NET ASSETS		
Without donor restrictions	43,061,424	41,522,876
TOTAL LIABILITIES AND NET ASSETS	\$ 43,711,644	\$ 42,159,864

The accompanying notes and auditor's report are an integral part of these financial statements.

The Humane Society of New York

Statement of Activities

For the Year Ended December 31, 2023
(With Summarized Comparative Totals as of December 31, 2022)

	<u>2023</u>	<u>2022</u>
REVENUES AND SUPPORT		
Clinic and adoption fees	\$ 1,677,599	\$ 1,897,681
Grants and bequests	3,089,953	1,491,145
Contributions	958,980	974,625
Special events	2,558	3,162
Clinic revenue - in-kind	1,435,786	1,918,259
Net investment return	<u>2,620,227</u>	<u>(2,142,483)</u>
Total revenues and support	<u>9,785,103</u>	<u>4,142,389</u>
EXPENSES		
Program services	6,769,557	7,100,334
General and administrative	920,985	841,077
Fundraising	<u>556,013</u>	<u>399,768</u>
Total expenses	<u>8,246,555</u>	<u>8,341,179</u>
Change in net assets	1,538,548	(4,198,790)
NET ASSETS WITHOUT DONOR RESTRICTION, <i>beginning of year</i>	<u>41,522,876</u>	<u>45,721,666</u>
NET ASSETS WITHOUT DONOR RESTRICTION, <i>end of year</i>	<u>\$ 43,061,424</u>	<u>\$ 41,522,876</u>

The accompanying notes and auditor's report are an integral part of these financial statements.

The Humane Society of New York

Statement of Functional Expenses

For the Year Ended December 31, 2023
(With Summarized Comparative Totals for the Year Ended December 31, 2022)

	Program Services				Supporting Services			
	Animal Medical Care	Animal Shelter and Adoptions	Public Education	Program Total	General and Administrative	Fundraising	Total	2022 Total
Salaries	\$ 1,831,265	\$ 1,019,976	\$ 271,994	\$ 3,123,235	\$ 169,996	\$ 101,997	\$ 3,395,228	\$ 3,151,174
Payroll taxes and employee benefits	262,029	145,959	38,922	446,910	24,327	14,597	485,834	443,379
Drugs, medical supplies and services (includes in-kind clinic expense of \$1,435,786)	2,457,822	80,583	-	2,538,405	-	-	2,538,405	3,133,445
Consulting and professional fees	33,263	25,745	55,742	114,750	602,724	341,130	1,058,604	667,208
Animal food	12,027	61,479	-	73,506	-	-	73,506	83,029
Provision for doubtful accounts	-	-	-	-	14,347	-	14,347	14,228
Occupancy - utilities and storage	43,270	35,879	6,884	86,033	4,827	6,884	97,744	92,111
Repairs and maintenance	26,872	19,045	2,334	48,251	2,334	2,335	52,920	64,213
Credit card and bank charges	-	-	-	-	46,503	6,435	52,938	221,860
Telephone	1,813	1,653	1,500	4,966	1,500	1,813	8,279	14,191
Office supplies	40,377	27,000	14,166	81,543	39,745	68,846	190,134	154,795
Insurance	53,469	25,950	6,920	86,339	4,325	2,595	93,259	85,321
Special events	-	-	-	-	-	579	579	-
Miscellaneous	7,179	-	-	7,179	1,555	-	8,734	48,976
Depreciation and amortization expense	79,220	70,418	8,802	158,440	8,802	8,802	176,044	167,249
Total expenses for statement of activities	\$ 4,848,606	\$ 1,513,687	\$ 407,264	\$ 6,769,557	\$ 920,985	\$ 556,013	\$ 8,246,555	\$ 8,341,179

The accompanying notes and auditor's report are an integral part of these financial statements.

The Humane Society of New York

Statement of Cash Flows

For the Year Ended December 31, 2023

(With Summarized Comparative Totals for the Year Ended December 31, 2022)

	December 31,	
	2023	2022
CASH FLOWS PROVIDED BY (USED FOR) OPERATING ACTIVITIES		
Change in net assets	\$ 1,538,548	\$ (4,198,790)
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities		
Depreciation and amortization	176,044	167,249
Net investment (gain) loss	(1,955,962)	2,944,874
(Increase) decrease in assets		
Clinic accounts receivables, net	2,657	2,378
Prepaid expenses	(15,989)	(3,702)
Medical and supplies inventories	(121,107)	14,876
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	21,150	284,429
Compensation and benefits payable	(7,918)	10,409
Net cash used for operating activities	(362,577)	(778,277)
CASH FLOWS PROVIDED BY (USED FOR) INVESTING ACTIVITIES		
Sale of investments	5,754,932	4,174,125
Purchase of investments	(7,862,048)	(4,770,894)
Capital improvements	(1,972,395)	(913,554)
Purchase of property and equipment	(113,472)	(44,398)
Net cash used for investing activities	(4,192,983)	(1,554,721)
Net decrease in cash and cash equivalents	(4,555,560)	(2,332,998)
CASH AND CASH EQUIVALENTS, <i>beginning of year</i>	5,496,018	7,829,016
CASH AND CASH EQUIVALENTS, <i>end of year</i>	\$ 940,458	\$ 5,496,018
SUPPLEMENTAL CASH FLOW INFORMATION		
No interest or taxes were paid.		

The accompanying notes and auditor's report are an integral part of these financial statements.

The Humane Society of New York

Notes to Financial Statements

December 31, 2023

Note 1 - Nature of Organization

The Humane Society of New York (the "Organization") 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 Organization 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 Organization is supported primarily through clinic and adoption fees, donor contributions, grants and bequests.

Note 2 - Summary of Significant Accounting Policies

a. Basis of Accounting and Presentation

The accompanying financial statements have been prepared using the accrual basis of accounting, which is the process of recording revenue and expenses when earned or incurred rather than received or paid.

The financial statements are presented in accordance with the provisions of the Financial Accounting Standards Board's ("FASB") Accounting Standards Codification ("ASC") 958 - *Presentation of Financial Statement of Not-For-Profit Entities*. FASB ASC 958 requires the Organization to report information regarding its financial position and activities according to the following specific classes of net assets:

- *Net Assets without Donor Restrictions* - represents those resources for which there are no restrictions by donors as to their use.
- *Net Assets with Donor Restrictions* - represents those resources, the uses of which have been restricted by donors to specific purposes or the passage of time and/or must remain intact, in perpetuity. The release from restrictions results from the satisfaction of the restricted purposes specified by the donor. As of December 31, 2023 and 2022, none of the Organization's net assets have donor restrictions.

b. Revenue Recognition

The Organization follows the requirements of FASB ASC 958-605 for recording contributions, grants, and government support which are recognized at the earlier of when cash is received or at the time a pledge becomes unconditional in nature. Contributions that do not contain donor restrictions are recorded in the class of net assets without donor restrictions. Contributions that do contain donor restrictions are recorded in the class of net assets with donor restrictions. When a restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions. If donor restricted contributions are satisfied in the same period they were received, they are classified in the class of net assets without donor restrictions.

Contributions may be subject to conditions which are defined as both a barrier to entitlement and a right of return of payments or release from obligations and are recognized as income once the conditions have been substantially met.

The Humane Society of New York

Notes to Financial Statements

December 31, 2023

Note 2 - Summary of Significant Accounting Policies - Continued

b. Revenue Recognition - Continued

Unconditional promises to give that are expected to be received in less than one year are recorded at net realizable value. Those that are due in greater than one year are recorded at fair value, which is calculated using risk adjusted present value techniques. Long-term promises to give are treated as time restricted until the period they are due, at which time they will be released from restriction and counted towards operations. Pledges are reviewed for collectability. Based on a review of several factors, including the credit worthiness of the donor and historical experience, no allowance for doubtful accounts has been established.

Clinic and adoption fees are recognized in accordance with FASB ASC Topic 606, whereas the Organization has contracts with customers to provide approved services (performance obligations) to the individual. The Organization recognizes revenue in the period in which obligations to provide services are satisfied. As services are provided to the animals that are in the facility, the Organization recognizes revenue, resulting in revenue recognized over time.

The Organization recognizes in-kind services in accordance with applicable accounting standards if the services received; (a) create or enhance non-financial assets, or (b) require specialized skills, and are provided by individuals possessing those skills, and will typically need to be purchased if not provided by donation.

c. Cash and Cash Equivalents

All highly liquid financial instruments purchased with a maturity of three months or less are considered to be cash and cash equivalents for purposes of the accompanying statement of financial position and cash flows.

d. Investments

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 Organization's brokerage firms. All valuations are based on Level 1 standards. Realized and unrealized gains and losses are included in the change in net assets.

e. Inventories

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

f. Adoption of Accounting Policy

On January 1, 2023, the Organization adopted the FASB's Accounting Standards Update ("ASU") 2016-13, *Financial Instruments - Credit Losses* ("Topic 326"). Financial assets, which potentially subject the Organization to credit losses, consisted of clinic accounts receivable, reflected on the statement of financial position. Expected losses are recorded to an allowance for credit losses valuation account that is net against the corresponding asset to present the net amount expected to be collected on the financial asset. The credit loss allowance is determined through analysis of the financial assets and assessments of risk that are based on historical trends and evaluation of the impact of current and projected economic conditions.

The Humane Society of New York

Notes to Financial Statements

December 31, 2023

Note 2 - Summary of Significant Accounting Policies - Continued

f. Adoption of Accounting Policy - Continued

Based on the analysis performed on the open clinic accounts receivable aging and detail analysis of the clients, the Organization did adjust the allowance for bad debt as of December 31, 2023. The impact of the adoption was not considered material to the financial statements and primarily results in new/enhanced disclosure only.

The Organization believes that the aging schedule methodology is a reasonable base on which to determine the expected credit loss for clinic accounts receivable held at the reporting date. Accordingly, an allowance for expected credit losses of \$125,298 and \$108,925, was recorded as of December 31, 2023 and December 31, 2022, respectively.

g. Property and Equipment

The Organization capitalizes all purchases of property and equipment in excess of \$5,000. Property and equipment are recorded at cost. Depreciation of property and equipment is being provided by the straight-line method over the estimated useful lives of the related assets once put into service.

Buildings	40 years
Building Improvements	20 years
Furniture and equipment	7-15 years
Vehicles	5 years

h. Income Tax Status

The Organization is a non-profit corporation, exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and has been classified as an organization that is not a private foundation under Section 509(a). U.S. GAAP requires management to evaluate tax positions taken by the Organization and recognize a tax liability if the Organization has taken an uncertain position that more likely than not would not be sustained upon examination by taxing authorities.

Management evaluated the Organization's tax positions and concluded that the Organization had taken no uncertain tax positions that require adjustment to the financials to comply with the provisions of this guidance.

i. Functional Allocation of Expenses

The financial statements report certain categories that are attributable to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Occupancy and depreciation expenses are allocated based on each program's share of the square footage of the occupied space. The remaining expense that is allocated includes salaries and benefits, consulting and professional fees, repairs and maintenance, credit card and bank charges, telephone, office supplies, and insurance are allocated on the basis of employee time and effort spent on each functional area. Drug, medical supplies and services, animal food, provision for doubtful accounts, special events and miscellaneous are allocated directly to the applicable category.

The Humane Society of New York

Notes to Financial Statements

December 31, 2023

Note 2 - Summary of Significant Accounting Policies - Continued

j. Concentrations

Concentration of Credit Risk for Cash Held at Financial Institution

Financial instruments that potentially subject the Organization to concentration of credit risk consist of cash, money market accounts, and investment securities which are placed with financial institutions that management deems to be creditworthy. A significant portion of the funds at year end and at various times throughout the year, are not insured by the Federal Deposit Insurance Corporation ("FDIC"); however, the Organization has not experienced any losses from these accounts due to failure of any financial institution. The market value of investments is subject to fluctuation. However, management believes the investment policy is prudent for the long-term welfare of the Organization.

Concentration of Revenue

One donor accounted for 12% of the total revenue as of December 31, 2023. One donor accounted for 14% of the total revenue as of December 31, 2022.

k. Accounting Estimates

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

l. Comparative Financial Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2022, from which the summarized information was derived.

m. Advertising Costs

The cost of advertising is expensed as incurred.

Note 3 - Liquidity and Availability

The Organization's financial assets available within one year of the statement of financial position date for general expenditure are as follows:

	December 31,	
	2023	2022
Financial assets, at year end		
Cash and cash equivalents	\$ 940,458	\$ 5,496,018
Investments	33,689,861	29,626,783
Clinic accounts receivable	13,062	15,719
	<u>\$ 34,643,381</u>	<u>\$ 35,138,520</u>

The Humane Society of New York

Notes to Financial Statements

December 31, 2023

Note 3 - Liquidity and Availability - Continued

The Organization's practice is to manage financial assets to be available for its general expenditures, liabilities, and other obligations.

Note 4 - Clinic Accounts Receivable

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

	<u>2023</u>	<u>2022</u>
Gross accounts receivable from the Society's billing system commencing in 2007 for which partial payments have been received from clients	\$ 138,360	\$ 124,644
Less allowance for credit losses	<u>(125,298)</u>	<u>(108,925)</u>
Clinic accounts receivable, net	<u>\$ 13,062</u>	<u>\$ 15,719</u>

In addition, the Organization provides significant animal care to numerous other clients who do not have the ability to make any payments on their accounts. The Organization never refuses to provide care in these situations and no invoice is generated by its billing system. Management estimates that billings or these services would have been approximately \$1,435,786 and \$1,918,259 for the years ended December 31, 2023 and 2022, respectively, if these clients had the ability to make any payments for such services.

Note 5 - Fair Value Measurements

The Organization follows U.S. GAAP guidance on Fair Value Measurements which defines fair value and establishes a fair value hierarchy. Fair value measurements are not adjusted for transaction costs. A fair value hierarchy consists of three levels that are used to prioritize inputs to fair value techniques:

Level 1 - Inputs to the valuation methodology that are quoted prices (unadjusted) for identical assets or liabilities in active markets. Fair value for these assets is an estimate of the exit price based on closing market prices or bid quotations, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants (i.e., the exit price at the measurement date).

Level 2 - Inputs to the valuation methodology that include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3 - Inputs to the valuation methodology that are unobservable and significant to the fair value measurement.

The Organization follows U.S. GAAP guidance which removed the requirements to categorize within the fair value hierarchy alternative investments where fair value is measured using the Net Asset Value ("NAV") per share as a practical expedient.

The Humane Society of New York

Notes to Financial Statements

December 31, 2023

Note 6 - Investment Securities

Investment securities as of December 31, 2023 and 2022 consisted of the following:

December 31, 2023				
	Level 1	Level 2	Level 3	Total
Fixed income securities	\$ 13,371,050	\$ -	\$ -	\$ 13,371,050
Equity securities and mutual funds	19,053,441	-	-	19,053,441
Money market funds	1,265,370	-	-	1,265,370
Total	<u>\$ 33,689,861</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 33,689,861</u>

December 31, 2022				
	Level 1	Level 2	Level 3	Total
Fixed income securities	\$ 12,760,600	\$ -	\$ -	\$ 12,760,600
Equity securities and mutual funds	16,746,639	-	-	16,746,639
Money market funds	119,544	-	-	119,544
Total	<u>\$ 29,626,783</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 29,626,783</u>

An analysis of investment return, including cash equivalents, for the years ended December 31, 2023 and 2022 is as follows:

	December 31,	
	2023	2022
Interest and dividends	\$ 830,650	\$ 802,391
Realized gains	52,057	1,083,586
Unrealized gains (losses)	1,903,905	(3,867,560)
Investment fees	(166,385)	(160,900)
Total	<u>\$ 2,620,227</u>	<u>\$ (2,142,483)</u>

Note 7 - Property and Equipment, Net

Property and equipment, net, at cost, consists of the following as of December 31, 2023 and 2022:

	December 31,	
	2023	2022
Land	\$ 1,467,000	\$ 1,467,000
Building	5,568,393	5,568,393
Building improvements	906,843	906,843
Furniture & fixtures	994,851	1,052,648
Vehicle	49,755	26,248
Computers & software	121,514	-
Construction in progress	2,885,949	913,554
Total	<u>11,994,305</u>	<u>9,934,686</u>
Less accumulated depreciation and amortization	<u>(3,386,878)</u>	<u>(3,237,082)</u>
Net	<u>\$ 8,607,427</u>	<u>\$ 6,697,604</u>

The Humane Society of New York

Notes to Financial Statements

December 31, 2023

Note 8 - Contributed Services

The Organization records the value of donated specialized services based upon the fair market value at the date of donation. The donated services that the Organization recorded were contributed services from clinic professionals based on current rates for similar animal related medical services with no donor restrictions. The amounts recorded were approximately \$1,400,000 and \$1,900,000 for the years ended December 31, 2023 and 2022, respectively, which are included in both revenue and expenses.

Note 9 - Special Events

The Organization sponsors fundraising efforts at public events in New York City. Special event activities resulted in revenues of \$2,558 and \$3,162 for the years ended December 31, 2023 and 2022, respectively, which is reflected in the accompanying statements of activities.

Note 10 - Contingencies

The Organization 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 Organization'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 11 - Subsequent Events

The Organization has evaluated subsequent events for potential recognition or disclosure through February 4, 2025, the date the financial statements were available to be issued.