



**ANIMAL CARE AND CONTROL
OF NEW YORK CITY, INC.
DBA ANIMAL CARE CENTERS OF NYC
FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2018 AND 2017**

**ANIMAL CARE AND CONTROL OF NEW YORK CITY, INC.
DBA ANIMAL CARE CENTERS OF NYC**

**FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2018 AND 2017**

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Animal Care and Control of New York City, Inc.
DBA Animal Care Centers of NYC
New York, New York

We have audited the accompanying financial statements of Animal Care and Control of New York City, Inc., DBA Animal Care Centers of NYC, (the "Organization"), which comprise the statements of financial position as of June 30, 2018, and the related statements of activities, functional expenses and cash flows for the year 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Animal Care and Control of New York City, Inc., DBA Animal Care Centers of NYC as of June 30, 2018, 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.

Report on Summarized Comparative Information

We have previously audited the Animal Care and Control of New York City, Inc.'s, DBA Animal Care Centers of NYC June 30, 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 9, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Rosenberg + Manente PLLC

Rosenberg and Manente, PLLC
Certified Public Accountants
New York, New York

January 10, 2019

ANIMAL CARE AND CONTROL OF NEW YORK CITY, INC.
DBA ANIMAL CARE CENTERS OF NYC
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2018 AND 2017

| | 2018 | 2017 |
|--|---------------------|---------------------|
| ASSETS | | |
| Cash and Cash Equivalents | \$ 2,012,530 | \$ 1,713,442 |
| Accounts Receivable - The City of New York | 244,253 | 299,170 |
| Unconditional Promises to Give | 5,984 | 17,198 |
| Grants Receivable | 372,898 | 193,898 |
| Prepaid Expenses | 273,289 | 342,154 |
| Deposits on Leased and Other Property | 79,615 | 79,535 |
| Other Accounts Receivable | 6,750 | 16,256 |
| Property and Equipment, Net | 1,515,620 | 659,548 |
| TOTAL ASSETS | \$ 4,510,939 | \$ 3,321,201 |
| LIABILITIES AND NET ASSETS | | |
| LIABILITIES | | |
| Accounts Payable | \$ 148,293 | \$ 272,766 |
| Accrued Expenses | 157,005 | 344,697 |
| Accounts Payable - The City of New York | 222,444 | 42,344 |
| Salaries, Payroll Taxes and Benefits Payable | 601,977 | 449,148 |
| Vacation and Sick Time Accrual | 227,141 | 189,700 |
| Deferred Income | - | 60,300 |
| Deferred Rent Payable | 53,275 | 40,740 |
| Line of Credit | 472,334 | 400,000 |
| Note Payable | 627,278 | - |
| Customer Deposits Payable | 1,668 | 4,350 |
| Other Liabilities | 4,279 | 18,189 |
| TOTAL LIABILITIES | 2,515,694 | 1,822,234 |
| NET ASSETS | | |
| Unrestricted | 944,418 | 651,283 |
| Temporarily Restricted | 1,050,827 | 847,684 |
| TOTAL NET ASSETS | 1,995,245 | 1,498,967 |
| TOTAL LIABILITIES AND NET ASSETS | \$ 4,510,939 | \$ 3,321,201 |

See Accompanying Notes to Financial Statements

ANIMAL CARE AND CONTROL OF NEW YORK CITY, INC.
DBA ANIMAL CARE CENTERS OF NYC
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018
(With Comparative Totals for the Year Ended June 30, 2017)

| | JUNE 30, 2018 | | | JUNE 30, 2017 |
|--|----------------------|-----------------------------------|---------------------|----------------------|
| | UNRESTRICTED | TEMPORARILY RESTRICTED | TOTAL | TOTAL |
| REVENUES, GAINS, AND OTHER SUPPORT | | | | |
| Support from Operations: | | | | |
| Revenue - The City of New York | \$ 13,184,951 | \$ 1,708,413 | \$ 14,893,364 | \$ 14,158,285 |
| Shelter Revenue | 685,762 | - | 685,762 | 639,502 |
| Contributions | 864,528 | 1,985,200 | 2,849,728 | 2,237,681 |
| In-Kind Contributions | 554,215 | - | 554,215 | 482,313 |
| Benefit Plan Contributions | 1,040,809 | - | 1,040,809 | 924,128 |
| Donated Use of Facilities | 1,143,044 | - | 1,143,044 | 1,068,482 |
| Investment Income | 326 | - | 326 | 313 |
| Benefits and Special Events | 456,923 | - | 456,923 | 392,899 |
| Other Miscellaneous Income | 55,809 | - | 55,809 | 14,814 |
| Total Revenues, Gains and Other Support Before the Release of Restricted Net Assets | 17,986,367 | 3,693,613 | 21,679,980 | 19,918,417 |
| Net Assets Released From Restrictions: | | | | |
| Satisfaction of Time and Program Restrictions | 3,490,470 | (3,490,470) | - | - |
| TOTAL REVENUES, GAINS, AND OTHER SUPPORT | 21,476,837 | 203,143 | 21,679,980 | 19,918,417 |
| EXPENSES | | | | |
| Program Services: | | | | |
| Health and Welfare of Animals | 18,543,382 | - | 18,543,382 | 18,067,212 |
| Total Program Service Expenses | 18,543,382 | - | 18,543,382 | 18,067,212 |
| Supporting Services: | | | | |
| Management and General | 2,170,071 | - | 2,170,071 | 1,652,178 |
| Fundraising | 470,249 | - | 470,249 | 381,754 |
| Total Supporting Services | 2,640,320 | - | 2,640,320 | 2,033,932 |
| TOTAL EXPENSES | 21,183,702 | - | 21,183,702 | 20,101,144 |
| CHANGE IN NET ASSETS | 293,135 | 203,143 | 496,278 | (182,727) |
| NET ASSETS, BEGINNING OF YEAR | 609,430 | 847,684 | 1,457,114 | 1,681,694 |
| Prior Year Net Asset Adjustment | 41,853 | - | 41,853 | - |
| ADJUSTED NET ASSETS, BEGINNING OF YEAR | 651,283 | 847,684 | 1,498,967 | 1,681,694 |
| NET ASSETS, END OF YEAR | \$ 944,418 | \$ 1,050,827 | \$ 1,995,245 | \$ 1,498,967 |

ANIMAL CARE AND CONTROL OF NEW YORK CITY, INC.
DBA ANIMAL CARE CENTERS OF NYC
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2018
(With Comparative Totals for the Year Ended June 30, 2017)

| | 2018 | | | 2017 | |
|---|-----------------------------|-----------------------------------|--------------------|----------------------|----------------------|
| | Program Services | Management and General | Fundraising | Total | Total |
| Salaries | \$ 9,418,663 | \$ 838,608 | \$ 135,879 | \$ 10,393,150 | \$ 9,762,013 |
| Payroll Taxes and Fringe Benefits | 3,255,840 | 295,558 | 47,889 | 3,599,287 | 3,183,834 |
| Total Personnel Service Expenses | 12,674,503 | 1,134,166 | 183,768 | 13,992,437 | 12,945,847 |
| Vehicle Expenses | 185,447 | 38,623 | - | 224,070 | 178,860 |
| Communications | 15,415 | 121,451 | 52,553 | 189,419 | 156,361 |
| Depreciation | 84,242 | 6,836 | 2,796 | 93,874 | 57,905 |
| Facility Expenses | 225,481 | 18,295 | 7,484 | 251,260 | 373,861 |
| Human Resource | 24,441 | 1,984 | 810 | 27,235 | 70,767 |
| Insurance | 351,735 | 28,542 | 11,674 | 391,951 | 412,798 |
| Interest and Bank Charges | - | 64,674 | - | 64,674 | 55,141 |
| Supplies and Services, Medical | 1,806,221 | - | - | 1,806,221 | 2,093,909 |
| Occupancy | 1,839,628 | 11,663 | 4,772 | 1,856,063 | 1,600,243 |
| Other Expenses | 43,342 | 12,124 | 1,704 | 57,170 | 99,100 |
| Professional Fees | 40,159 | 624,946 | 1,333 | 666,438 | 586,398 |
| Special Events | - | - | 192,849 | 192,849 | 180,276 |
| Supplies and Services, Operations | 730,167 | 5,869 | - | 736,036 | 834,263 |
| Telecommunications | 122,352 | 9,929 | 4,062 | 136,343 | 133,473 |
| Technology and Equipment | 194,149 | 15,754 | 6,444 | 216,347 | 321,942 |
| First Alert Stipends | 206,100 | - | - | 206,100 | - |
| Bad Debt | - | 75,215 | - | 75,215 | - |
| Total Expenses | \$ 18,543,382 | \$ 2,170,071 | \$ 470,249 | \$ 21,183,702 | \$ 20,101,144 |
| Percentage of Total Expenses | 87.54% | 10.24% | 2.22% | 100.00% | |

See Accompanying Notes to Financial Statements

ANIMAL CARE AND CONTROL OF NEW YORK CITY, INC.
DBA ANIMAL CARE CENTERS OF NYC
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

| | 2018 | 2017 |
|--|---------------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Changes in Net Assets | \$ 496,278 | \$ (182,727) |
| Adjustments to Reconcile Changes in Net Assets to Net Cash Provided by Operating Activities | | |
| Depreciation and Amortization | 93,874 | 57,905 |
| Allowance for Bad Debt | 70,000 | - |
| Decrease (Increase) in: | | |
| Accounts Receivable - The City of New York | 54,917 | 252,244 |
| Unconditional Promises to Give | 11,214 | 19,105 |
| Grant Receivables | (249,000) | 446,500 |
| Prepaid Expenses | 68,865 | (50,572) |
| Deposits on Leased and Other Property | (80) | (80) |
| Other Accounts Receivables | 9,506 | (3,249) |
| Increase (Decrease) in: | | |
| Accounts Payable | (124,473) | 99,178 |
| Accrued Expenses | (187,692) | 199,499 |
| Accounts Payable - The City of New York | 180,100 | 410 |
| Salaries, Payroll Taxes and Benefits Payable | 152,829 | (278,501) |
| Vacation and Sick Time Accrual | 37,441 | 11,336 |
| Deferred Income | (60,300) | 9,500 |
| Deferred Rent Payable | 12,535 | 19,610 |
| Note Payable | 627,278 | - |
| Customer Deposits Payable | (2,682) | (5,140) |
| Refundable Advance | - | (5,000) |
| Other Liabilities | (13,910) | 17,833 |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | 1,176,700 | 607,851 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of Fixed Assets | (949,946) | (269,184) |
| NET CASH USED IN INVESTING ACTIVITIES | (949,946) | (269,184) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Advances from Line of Credit | 72,334 | - |
| NET CASH PROVIDED BY FINANCING ACTIVITIES | 72,334 | - |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 299,088 | 338,667 |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | 1,713,442 | 1,374,775 |
| CASH AND CASH EQUIVALENTS, END OF YEAR | \$ 2,012,530 | \$ 1,713,442 |
| SUPPLEMENTAL DISCLOSURE: | | |
| Interest Paid | \$ 10,189 | \$ 16,841 |
| Taxes Paid | \$ - | \$ - |

See Accompanying Notes to Financial Statements

**ANIMAL CARE AND CONTROL OF NEW YORK CITY, INC.
DBA ANIMAL CARE CENTERS OF NYC**

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

NOTE 1 - NATURE AND PURPOSE OF ORGANIZATION

Animal Care and Control of New York City, Inc., DBA Animal Care Centers of NYC (the "Organization"), is a not-for-profit entity that is the sole organization responsible by law for the care of New York City's entire homeless and unwanted animal population. The Organization is committed to providing the most humane care possible for the hundreds of animals that are brought to the shelters each day. The mission of the Organization is to promote and protect the health, safety and welfare of pets and people in New York City. The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting and conform to accounting principles generally accepted in the United States of America as applicable to not-for-profit organizations. Under this method, revenues are recognized in the period in which they are earned. Expenses are recognized in the period in which the related liability is incurred.

B. Revenue Recognition

Under Financial Accounting Standards Board (FASB) ASC 958, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions. Contributions are reported at fair value at the date the contribution is received. All contributions are considered to be available for unrestricted use unless specifically restricted by donors. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

C. Donated Services

Donated services are recognized as contributions if the services (a) create or enhance non-financial assets or (b) require special skills, and are performed by people with those skills and would otherwise be purchased by the Organization.

A number of volunteers have made a contribution of their time to the Organization to perform a variety of tasks that assist the Organization at the shelter facilities and at fundraising events. The value of this contributed time is not reflected in these financial statements since it does not meet the criteria for recognition under Financial Accounting Standards Board (FASB) ASC 958. The Organization receives approximately 3,096 volunteer hours per month.

D. Functional Allocation of Expenses

Expenses that can be directly identified with the program or supporting service to which they relate are charged accordingly. Other expenses by function have been allocated among program and supporting service classifications based upon ratios determined by management.

**ANIMAL CARE AND CONTROL OF NEW YORK CITY, INC.
DBA ANIMAL CARE CENTERS OF NYC**

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Use of Estimates

The preparation of the 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 disclosures of contingencies at the date of the financial statements and revenues and expenses recognized during the reporting period. Significant estimates made in the preparation of the financial statements include the net realizable value of the contributions and grants receivable, donated use of facilities, accrued expenses, prepaid expenses and functional expense allocations. Actual results could differ from those estimates.

F. Property and Equipment

It is the Organization's policy to capitalize property and equipment over \$1,000. Lesser amounts are expensed. Property and equipment are stated at cost. Depreciation is provided on the straight-line method over the estimated useful lives of the assets.

Amortization of leasehold improvements is provided on the straight-line method over the remaining term of the lease or the useful life of the improvements, whichever is shorter.

| | |
|-------------------------|--------------|
| Leasehold Improvements | 39 years |
| Furniture and Fixtures | 7 years |
| Machinery and Equipment | 3 to 7 years |
| Vehicles | 7 years |
| Software | 3 to 5 years |

Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent of donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclasses temporarily restricted net assets to unrestricted net assets at that time.

Certain property and equipment used by the Organization is owned by New York City under a funding Agreement. The Organization is responsible for acquiring items needed in order to run the facility; however, title will not pass to the Organization upon termination of the Funding Agreement. Therefore, most capital items are expensed within the year that the City funds the purchase.

G. Financial Instruments

The Organization's financial instruments are cash and cash equivalents and contributions receivable. The recorded values of cash and cash equivalents and contributions receivable approximate fair values based on their short-term nature.

**ANIMAL CARE AND CONTROL OF NEW YORK CITY, INC.
DBA ANIMAL CARE CENTERS OF NYC**

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Financial Statement Presentation

The statements of financial position and of activities focuses on the Organization as a whole and report total assets, liabilities, net assets and changes in net assets in accordance with the FASB ASC 958-205, Financial Statements of Not-for-Profit Organizations. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

(1) Permanently Restricted:

Net assets resulting from contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Organization. The Organization had no permanently restricted assets at June 30, 2018 and June 30, 2017.

(2) Temporarily Restricted:

Net assets resulting from contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Organization pursuant to those stipulations. When such stipulations end or are fulfilled, such temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities and changes in net assets.

(3) Unrestricted:

Unrestricted net assets represent the portion of net assets that is neither permanently nor temporarily restricted by donor-imposed stipulations.

I. Comparative Information

The financial statements include certain 2017 comparative information. With respect to the statement of activities, such prior year information is not presented by net asset class and, in the statement of functional expenses, 2017 expenses by natural classification are presented in total rather than by functional category. Accordingly, such information should be read in conjunction with the Organization's 2017 financial statements from which the summarized information was derived.

J. Income Taxes

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c) (3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation. The Organization is subject to routine audits by various federal, state and local taxing authorities; however, there are currently no audits for any tax periods in progress. The Organization believes it is no longer subject to income tax examinations for years prior to 2015.

The financial statements effect of a tax position taken or expected to be taken are recognized in the financial statements when it is more likely than not, based on the technical merits, that the position will be sustained upon examination. Interest and penalties, if any, are included in expenses in the Statement of Activities. Management does not believe its financial statements include any uncertain tax positions.

**ANIMAL CARE AND CONTROL OF NEW YORK CITY, INC.
DBA ANIMAL CARE CENTERS OF NYC**

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Allowance for Doubtful Accounts

Management determines whether an allowance for doubtful accounts should be provided for accounts receivable. Such estimates are based on management's assessment of the aged basis of its sources, current economic conditions, subsequent receipts and historical information. Accounts receivable are written off against the allowance for doubtful accounts when all reasonable collection efforts have been exhausted. At June 30, 2018 and 2017, management has determined the allowance for doubtful accounts to be \$70,000 and \$0, respectively.

L. Reclassifications

It is the Organization's policy to reclassify, where appropriate, prior year financial statements to conform to the current year presentation.

M. Rent Expense

The Organization records rent expense associated with its office lease on a straight-line basis over the life of the lease. The difference between the straight-line amount and the amount actually paid during the year is recorded as a liability and an expense in the accompanying financial statements.

N. Advertising Costs

Advertising costs are generally charged to operations in the year incurred. For the years ended June 30, 2018 and 2017, advertising was \$116,527 and \$74,876, respectively. Advertising costs are reflected in Communications on the Statement of Functional Expenses. For the years ended June 30, 2018 and 2017, no advertising costs were donated to the Organization.

O. Medical Supplies, Medications and Products

Medical supplies, medications and products are purchased on an as needed basis and are expensed upon purchase. The dollar value of the supplies on hand at any given time is not material. It is the Organization's decision not to maintain inventory on its balance sheet.

P. Pensions and Benefits

The Organization provides a range of benefits to eligible employees, including pensions, 401(k) Savings, and Group Life and Welfare Benefits. The Organization records annual amounts relating to these plans based on calculations, which include various actuarial assumptions such as discount rates, expected rates of return on plan assets, compensation increases, and turnover rates.

Q. Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

NOTE 3 - DONATIONS IN-KIND

The Organization receives donations in-kind from various individuals and organizations. These donations are comprised predominantly of services and supplies, such as food, blankets, leashes, and toys, used in shelter operations, legal and media. For the years ended June 30, 2018 and 2017, management estimated the value of these items received to be \$554,215 and \$482,313, respectively.

**ANIMAL CARE AND CONTROL OF NEW YORK CITY, INC.
DBA ANIMAL CARE CENTERS OF NYC**

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

NOTE 4 - PROPERTY AND EQUIPMENT, NET

Property and equipment at June 30th by major classification is summarized as follows:

| | <u>2018</u> | <u>2017</u> |
|---|---------------------|-------------------|
| Leasehold Improvements | \$ 382,554 | \$ 382,554 |
| Furniture and Fixtures | 112,034 | 39,234 |
| Machinery and Equipment | 735,292 | 708,093 |
| Vehicles | 218,153 | 218,153 |
| Software | 78,327 | - |
| Construction in Process | <u>771,620</u> | <u>-</u> |
| | 2,297,980 | 1,348,034 |
| Accumulated Depreciation and Amortization | <u>782,360</u> | <u>688,486</u> |
| Property and Equipment, Net | <u>\$ 1,515,620</u> | <u>\$ 659,548</u> |

Depreciation and amortization expense for the years ended June 30, 2018 and 2017 was \$93,874 and \$57,905, respectively.

Construction in process, in the above schedule, consists of expenses that relate to the construction of a new animal care facility (See Note 5).

The cost of certain equipment and facilities, which are used by the Organization in connection with its Shelter Operations, are not reflected in the statement of financial position because the assets' titles remain with the City of New York.

NOTE 5 - COMMITMENTS AND CONTINGENCIES

The contract with the City of New York is subject to audit by the City.

As of June 30, 2018, the Organization has accumulated cost for construction in progress (See Note 4) of \$771,620. These costs are associated with building a new animal care facility. The Organization will purchase the property from a private landowner with a loan to ACC guaranteed by the City of New York. The City of New York is working closely with the Organization in regards to logistics, funding and support. However, as of the date of the financial statements, the purchase has not been made and ownership has not been transferred to the Organization. If the property purchase were not to occur, these costs would be expensed and have an impact on supporting service. Management is confident that the property closing will occur as scheduled in spring of 2019.

Local 1102 (the "Union") demanded arbitration over unpaid wages and, based upon their audit, alleges that the amount due current and non-current employees is \$180,616. Although management believes the amount due the Union is less than \$180,616 and intends to vigorously fight the case in arbitration, a provision has been made to the financial statements for the full-alleged amount.

Certain grants and contracts may be subject to audit by funding sources. Such audits may result in disallowance of costs submitted for reimbursement. Management is of the opinion that such cost disallowances, if any, will not have a material effect on the accompanying financial statements. Accordingly, no amounts have been provided in the accompanying financial statements for such potential claims.

The Organization may be involved in legal actions arising in the ordinary course of its business. It is the opinion of management that such actions will be resolved without material effect on the Organization's financial position.

**ANIMAL CARE AND CONTROL OF NEW YORK CITY, INC.
DBA ANIMAL CARE CENTERS OF NYC**

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

NOTE 6 - NEW YORK CITY FUNDING

The Organization, through its contract with the City of New York (the “City”), has a license to use and occupy three City owned buildings as animal care facilities: Manhattan Animal Care Facility, Brooklyn Animal Care Facility and Staten Island Animal Care Facility. The Organization also uses two facilities that are leased through the City: Queens Animal Receiving Facility and the Bronx Animal Receiving Facility. Accordingly, for the years ended June 30, 2018 and 2017 the value of the donated use of facilities by the City on behalf of the Organization has been included in the Statement of Activities in Donated Use of Facilities in the amounts of \$1,143,044 and \$1,068,482, respectively. To the extent funding is provided for in the agreement, the Organization is responsible for general repairs, insurance and maintenance of the premises.

Effective July 1, 2006, the City assumed responsibility for the payment of the Organization’s utilities, for locations owned or leased by the City. Accordingly, for the years ended June 30, 2018 and 2017 the value of the utilities paid by the City on behalf of the Organization has been included in the accompanying financial statements in both Revenue from the City of New York and Occupancy Expense in the amounts of \$294,301 and \$255,694, respectively.

At June 30, 2018 and 2017, the Organization was due from the City \$244,253 and \$299,170, respectively. At June 30, 2018 and June 30, 2017, the Organization owes the City under the current contract \$42,720 and \$42,344 in interest, respectively. In addition, at June 30, 2018, the Organization owes the City \$179,724 in unused funding for the 2018 cost of living adjustment. For the years-ended June 30, 2018 and June 30, 2017, benefit plan contributions made on behalf of the Organization totaled \$1,040,809 and \$924,128, respectively. For the years ended June 30, 2018 and 2017, total revenue recognized under the City contract was \$14,893,364 and \$14,158,285, respectively. The contract with the City is effective until March 31, 2019.

NOTE 7 - CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalents in financial institutions, which from time to time may exceed the Federal Depository Insurance Coverage limit. In assessing their risk, the Organization’s policy is to maintain funds only with reputable financial institutions and management believes the risk of loss is minimal. At June 30, 2018 and 2017, cash and cash equivalents exceeding federally insured limits totaled \$2,014,896 and \$1,303,666, respectively.

For the year ended June 30, 2018 the contract with the City of New York accounted for more than 75% of the Organization revenues.

NOTE 8 - RELATED PARTY

During the years ended June 30, 2018 and 2017, various members of the board of directors pledged donations totaling \$78,535 and \$207,949, respectively.

**ANIMAL CARE AND CONTROL OF NEW YORK CITY, INC.
DBA ANIMAL CARE CENTERS OF NYC**

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

NOTE 9 - LOAN PAYABLE

On April 27, 2018, the Organization was granted an emergency loan from Fund for the City of New York for \$627,278 to cover operating expenses. The loan is interest-free and is required to be paid back no later than sixty (60) calendar days from the date borrower signs the loan agreement.

Subsequent to the date of the financial statements, the Organization paid back the loan to Fund for the City of New York in the amount of \$627,278.

NOTE 10 - LEASE COMMITMENTS AND RENTAL EXPENSE

On September 1, 2015, the Organization re-negotiated their office space lease in Manhattan. The term of the lease is for seven years through August 31, 2022.

Minimum future rental payments under this lease are as follows:

| Year ending June 30, | |
|----------------------|---------------------|
| 2019 | \$ 272,602 |
| 2020 | 282,245 |
| 2021 | 300,460 |
| 2022 | <u>256,193</u> |
| | <u>\$ 1,111,500</u> |

Rent included in occupancy expense for years ended June 30, 2018 and 2017 was \$275,389 and \$257,488, respectively.

NOTE 11 - LINE OF CREDIT

Pursuant to an agreement with their Financial Institution, the Organization may borrow up to \$1,000,000 under a renewable line of credit. The interest on such borrowings is payable monthly at an annual rate equal to the LIBOR rate plus 3%. The line is secured by substantially all of the Organization's assets. At June 30, 2018 and 2017, the Organization had drawn down on its available line of credit \$450,714 and \$400,000, respectively. The line of credit is due to mature on March 2, 2019.

On May 11, 2018, the Organization entered into agreement with their Financial Institution for line of credit. The Organization may borrow up to \$882,500 under a renewable line of credit. The interest on such borrowings is payable monthly at an annual rate equal to the LIBOR rate plus 4.083%. The line is secured by substantially all of the Organizations' assets. At June 30, 2018, the Organization has drawn \$21,620. The line of credit is due to mature on May 15, 2019. Subsequent to the date of the financial statements, the line of credit was increased to \$1,882,500.

NOTE 12 - BAD DEBT

Bad debt expense for the years ended June 30, 2018 and 2017 totaled \$75,215 and \$0, respectively.

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**NOTES TO FINANCIAL STATEMENTS
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NOTE 13 - EMPLOYEE BENEFIT PLANS

All eligible employees of the Organization are members of the Cultural Institutions Retirement System's (CIRS) Pension, Savings Plan and Group Life and Welfare Benefits plans. The CIRS Pension Plan is a multiemployer defined benefit plan. Pension and Group Life and Welfare Benefit contributions are funded by the City of New York in accordance with their contract with the Organization. The employer match to the Savings Plan, in accordance with the Collective Bargaining Agreement, remains suspended.

The risk of participating in these multiemployer plans is different from single-employer plans in the following aspects:

- a) Assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers.
- b) If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.
- c) If the Organization chooses to stop participating in some of its multiemployer plans, the Organization may be required to pay those plans an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

The Organization's participation in this plan for the fiscal year ended June 30, 2018 and 2017 is outlined in the table below. The "EIN/Pension Plan number" column provides the Employer Identification Number (EIN) and the three-digit plan number, if applicable. The zone status is based on information that the Company received from the plan and is certified by the plan's actuary. Among other factors, plans in the red zone are generally less than 65 percent funded, plans in the yellow zone are less than 80 percent funded. A plan is in the green zone if it has a current funded percentage greater than 80 percent. Unless otherwise noted, the most recent PPA zone status available in 2018 and 2017 is for the plan's year-end at June 30, 2017 and 2016, respectively. The "FIP/RP Status Pending/Implemented" column indicates plans for which a financial improvement plan (FIP) or a rehabilitation plan (RP) is either pending or has been implemented. The last column lists the expiration dates(s) of the collective bargaining agreements(s) to which the plans are subject. The period-to-period comparability fluctuates based upon the Organization's growth. The Company was not identified in its plan's 2017 Forms 5500 as providing more than 5% of total plan contributions.

The Organization currently has no intention of withdrawing from the multiemployer pension plan in

| Pension Fund | EIN/Pension Plan Number | Pension Protection Act Zone Status | | FIP/RP Status | Contributions of Company | | | Surcharge Imposed | Expiration Date of Collective-Bargaining Agreement |
|--------------|-------------------------|------------------------------------|-------|---------------|--------------------------|--------|--------|-------------------|--|
| | | 2018 | 2017 | | 2018 | 2017 | 2016 | | |
| (1) CIRS | 11-2001170 | Green | Green | NA | \$904k | \$810k | \$889k | No | NA* |

which it participates.

(1) Cultural Institutions Retirement System

* The Collective Bargaining Agreement is on extension until February 28, 2019.

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NOTE 13 - EMPLOYEE BENEFIT PLANS (CONTINUED)

Group Life and Welfare Benefits plans and administrative fees for the years ended June 30, 2018 and 2017 were as follows:

| | 2018 | 2017 |
|---------------------------------|-------------------|-------------------|
| Group Life and Welfare Benefits | \$ 22,821 | \$ 20,439 |
| Administration Fees | 113,290 | 93,435 |
| | \$ 136,111 | \$ 113,874 |

In the fiscal year ended June 30, 2018, the Organization terminated an “inactive” 403(b) retirement plan that they sponsored. There were no employer or employee contributions in the years ended June 30, 2018 and 2017.

NOTE 14 - NET ASSET ADJUSTMENT

In the fiscal year ended 2017, the funding to cover the cost of living adjustment (COLA) made to the Organizations employees was never accrued. Therefore, revenues, gains and other support was understated by the amount of the COLA payout. Accordingly, the Organization restated its financial statements for the fiscal year ended 2017.

The effect of this correction on the financial statements is as follows as of and for the year ending June 30, 2017:

| | As Previously Stated | As Restated | Effect on Net Assets |
|--|-------------------------------------|------------------------|-------------------------------------|
| <u>Statement of Activities:</u> | | | |
| Revenue – The City of New York | \$14,116,432 | \$14,158,285 | \$ 41,853 |
| <u>Statement of Financial Position:</u> | | | |
| Accounts Receivable – The City of New York | \$ 257,187 | \$ 299,040 | \$ 41,853 |
| Unrestricted Net Assets, As Previously Stated | | | 609,430 |
| Unrestricted Net Assets, as Restated | | | \$ 651,283 |

NOTE 15 - NET ASSETS

A. Unrestricted Net Assets

As of June 30, 2018 and 2017, the Organization had \$944,418 and \$651,283 in unrestricted net assets, respectively.

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**NOTES TO FINANCIAL STATEMENTS
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NOTE 15 - NET ASSETS (CONTINUED)

B. Temporarily Restricted Net Assets

The purposes of donor restricted net assets during the years ended June 30, 2018 and 2017 (Beginning of Fiscal Year) were as follows:

| | <u>Beginning of Period</u> | <u>Contributions</u> | <u>Released</u> | <u>End of Period</u> |
|--------------------------------|--------------------------------|----------------------------|----------------------------|----------------------------|
| Administrative OTPS | \$ - | \$ 134,688 | \$ 134,688 | \$ - |
| Adoption Related Support | 39,670 | 54,500 | 44,426 | 49,744 |
| Advertising Support | 5,000 | 29,500 | 34,500 | - |
| Animal Care Fund | 7,258 | 142,251 | 107,259 | 42,250 |
| Animal Supplies and Support | 1,110 | 12,000 | 12,814 | 296 |
| Canine Enrichment Program | 180,938 | 500,000 | 228,311 | 452,627 |
| Capital Projects | 96,188 | 750,000 | 750,235 | 95,953 |
| Community Cat Program | 46,391 | 164,893 | 117,794 | 93,490 |
| Cost of Living Adjustments | - | 682,954 | 682,954 | - |
| Dog Walking Fund | 150 | 125 | - | 275 |
| Emergency Quarantine Facility | - | 140,772 | 140,772 | - |
| Enhanced Reunification Program | - | 50,000 | 45,450 | 4,550 |
| Food Pantry | 2,762 | 20,500 | 23,262 | - |
| Foster Program | 224 | 10,000 | 8,547 | 1,677 |
| Medical Expenses | 18,889 | 40,000 | 32,593 | 26,296 |
| New Hope Stipends | 100,000 | 50,000 | 150,000 | - |
| Outreach Program | 1,790 | - | 391 | 1,399 |
| Staff Training | - | 5,000 | 5,000 | - |
| Star Fund | 39,101 | 43,076 | 70,211 | 11,966 |
| Surrender Prevention | 110,375 | 725,000 | 696,196 | 139,179 |
| Travel and Conferences | 663 | 28,354 | 14,112 | 14,905 |
| Vehicles and Equipment | 107,544 | 105,000 | 101,324 | 111,220 |
| Veterinarians Salary Support | 89,631 | 5,000 | 89,631 | 5,000 |
| Total | <u>\$ 847,684</u> | <u>\$ 3,693,613</u> | <u>\$ 3,490,470</u> | <u>\$ 1,050,827</u> |

NOTE 16 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through January 10, 2019, which is the date the financial statements were available to be issued and determined no adjustments to the financial statements or additional disclosures are necessary.