

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

FINANCIAL STATEMENTS

**YEAR ENDED JUNE 30, 2012
(With Comparative Totals for 2011)**

ANIMAL CARE AND CONTROL OF NEW YORK CITY, INC.

YEAR ENDED JUNE 30, 2012
(With Comparative Totals for 2011)

CONTENTS

	<u>Page</u>
Independent Auditors' Report	1
Financial Statements:	
Statement of Financial Position	2
Statement of Activities	3
Statement of Cash Flows	4
Notes to Financial Statements	5-10
Supplementary Schedule:	
Statement of Functional Expenses	11



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Independent Auditors' Report

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

We have audited the accompanying statements of financial position of Animal Care and Control of New York City, Inc. ("the Organization"), a corporation organized "not for profit", as of June 30, 2012 and 2011, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. 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 from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our 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. as of June 30, 2012 and 2011, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles accepted in the United States of America.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Statement of Functional Expenses and Statement of Activities – Temporarily Restricted Funds is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

Respectfully submitted,

Rosenberg & Manente
Certified Public Accountants, PLLC

New York, New York
December 11, 2012

ANIMAL CARE AND CONTROL OF NEW YORK CITY, INC.
STATEMENT OF FINANCIAL POSITION
AT JUNE 30, 2012
(WITH COMPARATIVE TOTALS AT JUNE 30, 2011)

	<u>JUNE 30, 2012</u>	<u>JUNE 30, 2011</u>
ASSETS		
Cash and Cash Equivalents	\$ 961,376	\$ 1,269,118
Unconditional Promises to Give	5,240	323,902
Prepaid Expenses	244,759	132,897
Deposits on Leased and Other Property	79,076	78,938
Property and Equipment	130,796	175,113
Other Accounts Receivables	38,878	46,282
TOTAL ASSETS	<u>\$ 1,460,126</u>	<u>\$ 2,026,250</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable	\$ 248,630	\$ 574,894
Accrued Expenses	210,349	60,108
Accounts Payable - The City of New York	36,530	34,078
Salaries and Payroll Taxes Payable	122,072	284,550
Vacation and Sick Time Accrual	127,776	139,134
Deferred Rent Payable	8,243	9,889
Customer Deposits Payable	13,849	13,758
Other Liabilities	37,422	18,626
TOTAL LIABILITIES	804,871	1,135,037
NET ASSETS		
Unrestricted	585,958	633,577
Temporarily Restricted	69,297	257,636
TOTAL NET ASSETS	<u>655,255</u>	<u>891,213</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,460,126</u>	<u>\$ 2,026,250</u>

ANIMAL CARE AND CONTROL OF NEW YORK CITY, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012
(WITH COMPARATIVE TOTALS AT JUNE 30, 2011)

	UNRESTRICTED	TEMPORARILY RESTRICTED FUNDS	TOTAL JUNE 30, 2012	TOTAL JUNE 30, 2011
REVENUES, GAINS, AND OTHER SUPPORT:				
Support from Operations:				
Revenue - The City of New York	\$ 8,476,194	\$ -	\$ 8,476,194	\$ 7,468,451
Shelter Revenue	1,020,895		1,020,895	772,395
Contributions	330,255	276,720	606,975	1,337,299
In-Kind Contributions	527,336		527,336	205,322
Benefit Plan Contributions	504,302		504,302	582,724
Investment Income	726		726	915
Other Miscellaneous Income	209,806		209,806	92,084
Total Revenues, Gains and Other Support Before the Release of Restricted Net Assets	11,069,514	276,720	11,346,234	10,459,190
Net Assets Released From Restrictions:				
Satisfaction of Time and Program Restrictions	465,059	(465,059)	-	-
TOTAL REVENUES, GAINS, AND OTHER SUPPORT	\$ 11,534,573	\$ (188,339)	\$ 11,346,234	\$ 10,459,190
EXPENSES				
Program:				
Health and Welfare of Animals	\$ 10,068,179		\$ 10,068,179	\$ 8,476,537
Total Program Expenses	10,068,179	-	10,068,179	8,476,537
Supporting Services:				
Administration	1,264,569		1,264,569	1,394,103
Fundraising	249,444		249,444	277,554
Total Supporting Services	1,514,013	-	1,514,013	1,671,657
TOTAL EXPENSES	\$ 11,582,192	\$ -	\$ 11,582,192	\$ 10,148,194
CHANGE IN NET ASSETS	(47,619)	(188,339)	(235,958)	310,996
NET ASSETS AT BEGINNING OF YEAR	633,577	257,636	891,213	580,217
TOTAL NET ASSETS	\$ 585,958	\$ 69,297	\$ 655,255	\$ 891,213

ANIMAL CARE AND CONTROL OF NEW YORK CITY, INC.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2012 (WITH COMPARATIVE TOTALS AT JUNE 30, 2011)

	<u>JUNE 30, 2012</u>	<u>JUNE 30, 2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in Total Net Assets	\$ (235,958)	\$ 310,996
Adjustments to Reconcile Changes in Total Net Assets to Net Cash Provided by Operating Activities		
Depreciation and Amortization	44,318	61,132
Decrease (Increase) in:		
Unconditional Promises to Give	318,662	14,992
Accounts Receivable - Shelter Activities	-	9,541
Prepaid Expenses	(111,862)	17,632
Deposits on Leased and Other Property	(138)	(390)
Other Assets	7,404	(46,282)
Increase (Decrease) in:		
Accounts Payable	(326,268)	264,842
Accrued Expenses	150,241	(1,793)
Accounts Payable - The City of New York	2,452	1,592
Lease Payable	-	(2,385)
Salaries and Payroll Taxes Payable	(162,478)	(1,199)
Vacation and Sick Time Accrual	(11,358)	(20,646)
Deferred Rent Payable	(1,646)	3,497
Customer Deposits Payable	92	3,256
Line of Credit-Chase	-	(300,000)
Other Liabilities	18,797	(5,922)
NET CASH (USED FROM) PROVIDED BY OPERATING ACTIVITIES	<u>(307,742)</u>	<u>308,863</u>
NET INCREASE (DECREASE) IN CASH	(307,742)	308,863
CASH AND CASH EQUIVALENTS BEGINNING OF YEAR	1,269,118	960,255
CASH AND CASH EQUIVALENTS END OF YEAR	<u>\$ 961,376</u>	<u>\$ 1,269,118</u>
SUPPLEMENTAL DISCLOSURE:		
Interest Paid	\$ 8,762	\$ 5,565
Taxes Paid	\$ -	\$ -

See Accompanying Notes to Financial Statements

ANIMAL CARE AND CONTROL OF NEW YORK CITY, INC.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2012

(With Comparative Totals for 2011)

NOTE 1 - DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Business Operations

Animal Care and Control of New York City, Inc. ("the Organization"), a corporation organized "not for profit", is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

The Organization was created for the charitable purposes of providing animal care and control services in the City of New York. The Organization began operations on January 1, 1995 as 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.

B. Promises to Give

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

The Organization uses the direct write-off method when unconditional promises receivable are deemed uncollectible. The direct write-off is based upon management's analysis of specific promises made.

C. Contributed Services

During the year ended June 30, 2012, the value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded. In addition, many individuals volunteer their time and perform a variety of tasks that assist the Organization at the shelter facilities and at fundraising events, but these services do not meet the criteria for recognition as contributed services. The Organization receives more than 1,994 volunteer hours per month.

D. 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, results could differ from those estimates.

ANIMAL CARE AND CONTROL OF NEW YORK CITY, INC.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2012

(With Comparative Totals for 2011)

NOTE 1 - DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Property and Equipment

It is the Organization's policy to capitalize property and equipment over \$1,000. Lesser amounts are expensed. Purchased property and equipment is capitalized at cost. 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 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. Property and equipment are depreciated utilizing both the straight-line and accelerated method over the estimated useful life of the assets.

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.

F. Financial Statement Presentation

The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

G. 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 2008.

The Organization accounts for uncertain tax position in accordance with Financial Accounting Standards Board (FASB) ASC 740. FASB ASC 740 prescribes a recognition threshold and measurement process for financial statement recognition of uncertain tax positions taken or expected to be taken in a tax return. The interpretation also provides guidance on recognition, derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. The Organization adopted the provisions of FASB ASC 740 on January 1, 2009. There was no impact on the total net assets as a result of the adoption of FASB ASC 740.

ANIMAL CARE AND CONTROL OF NEW YORK CITY, INC.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2012

(With Comparative Totals for 2011)

NOTE 1 - DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Contributions

Under Accounting Standards Board (FASB) ASC 958 (formerly Statement of Financial Accounting Standards No. 116, Accounting for Contributions Received and Contributions Made), contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions.

I. 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.

J. 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.

K. Advertising Costs

Advertising costs are charged to operations when the advertising first takes place. Advertising expense for the years ended June 30, 2012 and 2011 was \$21,053 and \$132,698, respectively. Advertising expenses for the years ended June 30, 2012 and 2011, includes approximately \$0 and \$98,000 in advertising costs, respectively, that were donated to the organization and are reflected in In-Kind Contributions.

L. 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.

M. Bad Debt Expense

Effective fiscal year ending 2011, the organization has elected to record shelter revenue on a cash basis. This is based upon historical analysis reflecting a high percentage of the accounts receivable earned from the shelters being deemed uncollectable.

NOTE 2 - RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets are available for the following programs:

	<u>JUNE 30, 2012</u>	<u>JUNE 30, 2011</u>
Animal Care Fund	\$ 68,383	\$ 256,902
Public Education Fund	913	734
	<u>\$ 69,296</u>	<u>\$ 257,636</u>

ANIMAL CARE AND CONTROL OF NEW YORK CITY, INC.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2012

(With Comparative Totals for 2011)

NOTE 3 - PROMISES TO GIVE

Unconditional promises to give are expected to be realized in one year or less and are classified as temporarily restricted net assets in the statement of activities. Uncollectible promises are expected to be insignificant.

NOTE 4 - PROPERTY AND EQUIPMENT

	<u>JUNE 30, 2012</u>	<u>JUNE 30, 2011</u>
Leasehold Improvements	\$ 101,694	\$ 101,694
Furniture and Fixtures	12,034	12,034
Machinery and Equipment	469,991	469,991
Vehicles	47,403	47,403
	<u>631,122</u>	<u>631,122</u>
Accumulated Depreciation and Amortization	500,326	456,009
	<u>\$ 130,796</u>	<u>\$ 175,113</u>

Depreciation expense for the years ended June 30, 2012 and June 30, 2011 was \$44,318 and \$61,132, respectively.

The cost of certain equipment and facilities, which are used by the Organization in connection with its Shelter Operations, is not reflected in the statement of financial position because the assets' titles remain with the City of New York. The Organization has not included an estimate of contribution revenue and program expense in the accompanying statement of activities for the free use of the equipment and facilities during the years ended June 30, 2012 and June 30, 2011.

NOTE 5 - NEW YORK CITY FUNDING

The Organization, through its contract with the City of New York, 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. To the extent funding is provided for in the agreement, the Organization is responsible for general repairs, insurance and maintenance of the premises. Since fair value has not been determined, the benefit of the use of the five facilities has not been reflected within the financial statements.

The City assumed responsibility for the payment of the Organization's utilities, for locations owned or leased by the City, effective July 1, 2006. Accordingly, the value of the utilities paid by the City on behalf of the organization has been included in both Contract Revenue and Occupancy Expense in the accompanying financial statements for the year ended June 30, 2012 and June 30, 2011 totaling \$317,452 and \$309,709, respectively.

At June 30, 2012 and 2011, the Organization was due \$0 from the City under the current contract. At June 30, 2012 and 2011, the Organization owes the City under the current contract \$36,530 and \$34,078, respectively. Revenue recognized under the City contract for the years ended June 30, 2012 and 2011 was \$8,476,194 and \$7,468,451, respectively. The contract with the City is effective until June 30, 2015.

ANIMAL CARE AND CONTROL OF NEW YORK CITY, INC.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2012

(With Comparative Totals for 2011)

NOTE 6 - COMMITMENTS AND CONTINGENCIES

- A. The contract with the City of New York is subject to audit by the City.
- B. The Organization is a defendant in various legal action seeking compensatory damages for alleged claims sustained while working for, or visiting, the Organization and for alleged negligence in performing its duties. Management believes that the outcome of these actions will have no material effect on the financial position of the Organization. Accordingly, no amounts have been provided in the accompanying financial statements for such potential claims.
- C. 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.

NOTE 7 - CONCENTRATION OF CREDIT RISK

The Organization maintains certain cash balances at institutions in New York. The cash balances at times may exceed federally insured limits.

The Contract with the City of New York accounts for more than 75% of the Organization revenues.

NOTE 8 - LEASE COMMITMENTS AND RENTAL EXPENSE

On August 3, 2009, the Organization lease re-negotiated their office space lease in Manhattan. The term of the lease is a four year and expires August 31, 2013.

The Office lease provides for the minimum annual payments as follows:

<u>Year Ending June 30,</u>	
2013	199,609
2014	33,416

Rent expense, calculated on a straight-line basis for the life of the lease, for 2012 and 2011 was \$197,046 and \$190,013, respectively.

NOTE 9 - 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. Management has estimated the value of these items received for the year ended June 30, 2012 and June 30, 2011 to be approximately \$527,336 and \$205,322, respectively. These donation amounts have been recorded net of their associated expenses, and accordingly, are reflected in the accompanying financial statements.

ANIMAL CARE AND CONTROL OF NEW YORK CITY, INC.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2012

(With Comparative Totals for 2011)

NOTE 10 - EMPLOYEE BENEFIT PLANS

All eligible employees of the Organization are members of the Cultural Institutions Retirement System's (CIRS) Pension, 401(k) Savings, and Group Life and Welfare Benefits plans. The CIRS Pension Plan is a multiemployer plan. Accordingly, certain information with respect to vested and non-vested benefits, as well as plan assets relating to the Organization's employees, is not readily available. The Organization contributes up to 3% of salary as determined by the level of employee contributions to the 401(k) Savings Plan. The Organization's policy is to fund pension costs accrued. Pension/CIRS expenses for the years ended June 30, 2012 and 2011 was:

	<u>2012</u>	<u>2011</u>
Pension	\$ 412,709	\$ 459,187
401(k) Savings	34,724	51,353
Group Life and Welfare Benefits	13,405	18,628
Administration (All Three Plans)	<u>43,464</u>	<u>53,556</u>
	<u>\$ 504,302</u>	<u>\$ 582,724</u>

NOTE 11- COMMITMENTS

Pursuant to an agreement with their Financial Institution, the Organization may borrow up to \$500,000 under a renewable line of credit. The interest rate on the line is 4.506% over the LIBOR Rate. The line is secured by substantially all of the Organization's assets. At June 30, 2012, the Organization has drawn down \$-0- on its available credit line. The line of credit is due to mature on January 24, 2014.

NOTE 12- SUBSEQUENT EVENTS

Management has evaluated subsequent events through the date of the auditors' report.

ANIMAL CARE AND CONTROL OF NEW YORK CITY, INC.

SUPPLEMENTARY SCHEDULE

YEAR ENDED JUNE 30, 2012
(With Comparative Totals for 2011)

ANIMAL CARE AND CONTROL OF NEW YORK CITY, INC.

SUPPLEMENTARY SCHEDULE STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED JUNE 30, 2012 (WITH COMPARATIVE TOTALS AT JUNE 30, 2011)

	Program Service	Administration	Fundraising	Total All Funds June 30, 2012	Total All Funds June 30, 2011
Salaries	Operations	\$ 431,092	\$ 119,046	\$ 5,352,910	\$ 4,716,714
Payroll Taxes and Fringe Benefits		159,741	44,139	1,983,547	1,807,002
Total Personal Service Expenses		590,833	163,185	7,336,457	6,523,715
Vehicle Expenses		12,152	6,076	194,425	183,205
Communications		7,203	21,934	144,067	185,284
Depreciation		3,570	640	44,318	61,132
Facility Expenses		19,001	5,247	235,938	126,352
Human Resource		4,912	1,356	60,988	24,483
Insurance		20,411	5,636	253,444	221,671
Interest and Bank Charges		4,160	1,149	51,656	31,574
Supplies and Services, Medical		-	-	876,788	853,945
Occupancy		86,889	28,963	534,679	525,757
Other Expenses		3,827	1,057	47,519	26,956
Professional Fees		453,910	-	477,800	323,616
Supplies and Services, Operations		8,309	562	710,805	441,394
Telecommunications		11,528	3,183	143,143	111,954
Technology and Equipment		37,864	10,456	470,165	507,156
Total Expenses		\$ 1,264,569	\$ 249,444	\$ 11,582,192	\$ 10,148,194
Percentage of Total Expenses	86.93%	10.92%	2.15%	100.00%	100.00%