NOTE 1 - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Contributions receivable

Contributions receivable are recognized as revenues in the period in which the promise is received and as assets, decreases in liabilities, or expenses depending on the form of the benefits received. Conditional contributions receivable are recognized when the conditions on which they depend are substantially met.

Prepaid expenses

Prepaid expenses are primarily expenses for initial down payments on insurance policies.

Investments

The Shelter investments consist primarily of assets invested in mutual funds and fixed income securities, and money-market funds. The Shelter accounts for investments in accordance with FASB ASC 958-320 and subsections. This standard requires that investments in equity securities with readily determinable fair values and all investments in debt securities be measured at fair value in the statement of financial position. Fair value of marketable equity and debt securities is based on quoted market prices.

Investments are exposed to various risks such as significant world events, interest rate, credit, and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the fair value of investments will occur in the near term and that such changes could materially affect the amounts reported in the Statement of Financial Position.

Investment income is recorded net of investment expenses. Realized gains or losses on investments are determined by comparison of specific cost of acquisition to proceeds at the time of disposal. Unrealized gains or losses are calculated by comparing cost to market values at the statement of financial position date. Investment income and gains restricted by donors are reported as increases in unrestricted net assets if the restrictions are met (either a stipulated time period ends or a purpose restriction is accomplished) in the reporting period in which the income and gains are recognized.

Board Designated Endowment Funds

The Shelter's endowment funds consist of funds without donor restrictions functioning as endowment through designation by the Board. The earnings of the Shelter's endowment fund support the mission of the Shelter. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Return Objectives and Risk Parameters

The Shelter has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Shelter relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Shelter targets a diversified asset allocation that places an emphasis on equity-based investments and mutual funds to achieve its long-term objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Shelter has a policy of appropriating the distribution for each year not to exceed 4.75% of its selected endowment fund's trailing average market value over the three years preceding the year in which the distribution is planned. In establishing this policy, the Shelter considered the long-term expected return on its endowment. Accordingly, over the long term, the Shelter expects the current spending policy to allow its endowment to grow at an average of 5 to 8 percent annually.

NOTE 1 - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Property and Equipment
Purchased property and equipment are recorded at cost. Donated property and equipment are recorded at the approximate fair value at the date of donation. Expenditures for major additions and improvements are capitalized and minor replacements, maintenance and repairs are charged to expense as incurred. When property and equipment are retired or otherwise disposed of, the cost and accumulated depreciation are removed from the accounts and any resulting gain or loss is included in the results of the operations for the respective period. Depreciation is computed by the straight-line method over the estimated useful lives of the assets, ranging from 3 to 39 years.

Deferred Revenue
The Shelter records revenues from exchange transactions as increases in net assets without donor restrictions to the extent that the earning process is complete. These transactions primarily include restricted contributions and grants. Resources received in exchange transactions are recognized as deferred revenue to the extent that the earning process has not been complete. The resources are recorded as revenues without donor restrictions when the related obligations have been satisfied.

Fair Value of Financial Instruments
The carrying amounts of financial instruments, including cash and cash equivalents, money market funds and accounts payable approximate fair value because of the short maturity of those financial instruments.

Accounting of Contributions
Contributions, including contributions receivable, are recognized when received. All contributions are reported as increases in net assets without donor restrictions unless use of the contributed assets is specially reported as increases in net assets is specifically restricted by the donor. Amounts received that are restricted by the donor to use in future periods or for specific purposes are reported as increases in net assets with donor restrictions. Contributions receivable with payments due in the future years have an implied restriction to be used in the year the payment is due, and therefore are reported as restricted until the payment is due, unless the contributions is clearly intended to support activities in the current fiscal year. Conditional promises, such as matching grants, are not recognized until they become unconditional, that is, until as conditions on which they depend are substantially met. It is the Shelter's policy to record restricted contributions received and released in the same year as support without donor restrictions.

Gifts-In-Kind Contributions
The Shelter records various types of in-kind contributions. Contributed services are recognized at fair value if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributions of tangible assets are recognized at fair value when received. Donated use of facilities are reported as contributions and as expenses at the estimated fair value of similar space for rent under similar conditions. If the use of the space is promised unconditionally for a period greater than one year, the contribution is reported as a contribution and an unconditional contribution receivable at the date of gift, and the expense is report over the term of the use. The amounts reflected in the accompanying financial statements as in-kind contributions are offset by like amounts included in expenses or additions to property and equipment.

No amounts have been reflected in the financial statements for donated services. The Shelter pays for most services requiring specific expertise. However, a substantial number of volunteers have donated significant amounts of their time to the Shelter's program services and its fundraising campaigns, the value of which is not recorded in the accompanying financial statements.

NOTE 1 - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Expense Allocation
The costs of providing various programs and other activities have been summarized in the statement of activities and statement of functional expenses. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions benefited using a reasonable allocation method that is consistently applied, as follows:

- Salaries, wages and payroll taxes are allocated based on activity reports prepared by key personnel.
- Depreciation expenses are based upon the usage of the square footage of the property.
- Direct expenses are charged to their specific area of activity.

Advertising
Cost of promotions and advertising are expensed as incurred. Advertising and promotion expense total $45,518 and $56,180 for the years ending December 31, 2020 and 2019, respectively.

Income Tax Status
The Shelter is a not-for-profit Shelter that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and comparable state law as a charitable Shelter whereby only unrelated business income, as defined by Section 509(a)(1) of the Code is subject to federal income tax. The Shelter qualifies for the charitable contribution deduction under Section 170(b)(l)(A) and has been classified as an association other than a private Shelter under Section 509(a)(2).

Management has evaluated the tax positions of the Shelter and does not believe that any uncertain tax positions or unrecognized tax benefits exist for the year ended December 31, 2020. The Shelter's policy is to report accrued interest related to unrecognized tax benefits, when applicable, as interest expense and to report penalties as other expense. The Shelter currently has no unrelated business income. Accordingly, no provision for income taxes has been recorded. The Shelter is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax period in progress.

Compensated Absences
Employees earn vacation at various rates depending on their status as non-exempt and exempt, job classification and years of service. Vacation increases by five (5) days at each job classification after two (2) years and five (5) years. Unused vacation carryover is allowed.

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

Reclassifications
Certain reclassifications have been made to the prior year's financial statements to conform to the current year presentation.

NOTE 1 - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

New Accounting Pronouncements
In August 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2018-13 Fair Value Measurement (Topic 820). The ASU changed the disclosure requirements for fair value measurement guidance in U.S. GAAP. The Shelter adopted the new standard effective January 1, 2020, the first day of the Shelter's fiscal year, using the full retrospective method.

Analysis of various provisions of this standard resulted in no significant changes in the way the Shelter measures fair value therefore no changes to the previously issued reviewed financial statements were required on a retrospective basis. The presentation and disclosures of fair value measurements have been adjusted in accordance with the standard.

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09 Revenue from Contracts with Customers (Topic 606), as amended. The ASU and all subsequently issued clarifying ASUs replaced most existing revenue recognition guidance in U.S. GAAP. The ASU also required expanded disclosures relating to the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. The Shelter adopted the new standard effective January 1, 2020, the first day of the Shelter's fiscal year, using the full retrospective method.

Analysis of various provisions of this standard resulted in no significant changes in the way the Shelter recognizes revenue and therefore no changes to the previously issued reviewed financial statements were required on a retrospective basis. The presentation and disclosures of revenue have been enhanced in accordance with the standard.

NOTE 2 - AVAILABILITY AND LIQUIDITY

Financial assets available for general expenditure, that are without donor or other restrictions limited their use within one year of the Statement of Financial Position date of December 31, 2020 and 2019, comprise of the following at December 31, 2020 and 2019:

	Audited 2020	*Reviewed* 2019
Financial assets:		
Cash and cash equivalents	$ 787,528	$ 177,020
Contributions receivable, net	273,894	-
Investments	935,785	858,502
Total financial assets	1,997,207	1,035,522
Less financial assets held to meet donor-imposed restrictions:		
Purpose-restricted net assets	(744,686)	-
Board designated net assets	(935,785)	(858,502)
Amount available for general expenditures within one year	$ 316,736	$ 177,020

As part of its liquidity plan, the Shelter has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations become due.

NOTE 3 – RESTRICTED CASH

Included in cash for the fiscal years ended December 31, 2020 and 2019 is restricted cash of $470,792 and $49,088, respectively, which represents funds held by the Shelter for the capital campaign to build a new facility.

NOTE 4 – CONTRIBUTIONS RECEIVABLE

Contributions receivable consisted of the following as of December 31:

	Audited 2020	*Reviewed* 2019
Contributions receivable, gross	$ 282,829	$ -
Less: allowance for uncollectible receivables	(8,935)	-
Contributions receivable, net	$ 273,894	$ -

A summary of contributions receivable expected to be collected are as follows:

Contributions receivable maturities	
2021	273,409
2022	485
Total	$ 273,894

NOTE 5 - INVESTMENTS

Investments held by the Shelter are in various accounts at a national brokerage firm. Investment fees are netted against investment income. Investments are stated at fair market value and consist of the following at December 31, 2020 and 2019:

	Audited December 31, 2020		*Reviewed* December 31, 2019	
	FMV	Cost	FMV	Cost
Money market	$ 5,016	$ 5,016	$ 158,974	$ 158,974
Mutual funds	898,024	672,014	668,396	448,233
Fixed income securities	32,744	24,679	31,132	24,679
	$ 935,784	$ 701,709	$ 858,502	$ 631,886

NOTE 6 - SUMMARY OF FAIR VALUE EXPOSURE

ASC 820 defines fair value as the amount that would be received from the sale of an asset or paid for the transfer of a liability in an orderly transaction between market participants, i.e. an exit price. To estimate an exit price, a three-tier hierarchy is used to prioritize the inputs:

Level 1: Quoted prices in active markets for identical securities
Level 2: Other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment spreads, credit risk, etc.)
Level 3: Significant unobservable inputs (including the Shelter's own assumptions in determining the fair value of investments)

For the year ended December 31, 2020, the application of valuation techniques applied to similar assets and liabilities has been consistent. The following is a description of the valuation methodologies used for instruments measured at fair value:

- *Money market:* The fair value of investments money market funds that are readily marketable are determined by obtaining quoted prices on nationally recognized securities exchanges (Level 1 inputs- market approach).

NOTE 6 - SUMMARY OF FAIR VALUE EXPOSURE - CONTINUED

- *Mutual funds:* The Shelter equity securities are readily marketable and have fair values which are determined by obtaining quoted market prices in active markets. (Level 1 inputs- market approach).
- *Fixed income securities:* Fair values of U.S. Government and corporate securities reflect closing prices reported in the active markets in which the securities are traded. (Level 1 inputs -market approach).

The following tables provide fair value measurement information for financial assets and liabilities measured at fair value on a recurring basis as of:

	Audited December 31, 2020			
	Level 1	Level 2	Level 3	Total
Money market	$ 5,016	$ -	$ -	$ 5,016
Mutual funds	898,024	-	-	898,024
Fixed income securities	32,744	-	-	32,744
	$ 935,784	$ -	$ -	$ 935,784

	Reviewed December 31, 2019			
	Level 1	Level 2	Level 3	Total
Money market	$ 158,974	$ -	$ -	$ 158,974
Mutual funds	668,396	-	-	668,396
Fixed income securities	31,132	-	-	31,132
	$ 858,502	$ -	$ -	$ 858,502

The inputs and methodology used for valuing the Shelter's financial assets and liabilities are not indicators of the risks associated with those instruments.

NOTE 7 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of December 31:

	(Audited) 2020	*(Reviewed)* 2019
Depreciable assets:		
Furniture and equipment	$ 208,026	$ 208,026
Building improvements	78,058	78,058
Building	417,957	417,957
	704,041	704,041
Less: accumulated depreciation	(464,981)	(438,798)
Total property and equipment	$ 239,060	$ 265,243

Depreciation expense for the years ended December 31, 2020 and 2019 is $26,183 and $27,065, respectively.

NOTE 8 - CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the Shelter to concentrations of credit risk consist of cash in banks; investments managed by brokerage firms and promises to give. The Shelter places its cash and investments with reputable financial institutions and limits the amount of credit exposure for cash to any one financial institution. Accounts held by banking institutions are insured by the Federal Deposit Insurance Corporation up to $250,000 and cash in investment accounts is insured by the brokers insurance. As of December 31, 2020 and 2019, the Shelter had uninsured cash of $330,902 and $0, respectively.

NOTE 9 - OTHER CONCENTRATION RISK

The Shelter has a vendor contract with the Dorchester County for the humane disposition of animals in Dorchester County. In 2020, the Shelter received 2,828 animals from animal control agencies and Dorchester County citizens, which represents 100% of the animal intake for the Shelter. The Shelter received $189,457 from Dorchester County under the contract. The concentration of animal intake from Dorchester County related to one vendor contract is a risk to the Shelter.

In 2019, the Shelter received 3,645 animals from animal control agencies and Dorchester County citizens, which represents 100% of the animal intake for the Shelter. The Shelter received $185,436 from Dorchester County under the contract. The concentration of animal intake from Dorchester County related to one vendor contract is a risk to the Shelter.

The Shelter must use reserves, donations and grants to fund the shortfall annually which creates a risk to the Shelter.

During the year ended December 31, 2020, 97% of outstanding contributions receivables are from two sources.

NOTE 10 - RELATED PARTIES TRANSACTIONS

The Shelter received contributions from members of its Board of Directors for the year ended December 31, 2020 and 2019, respectively.

NOTE 11 - NET ASSETS WITH DONOR RESTRICTIONS

The Shelter has net assets with donor restrictions that are available for the capital campaign to build a new facility in the amount of $744,686 and $49,088 as of December 31, 2020 and 2019, respectively.

NOTE 12 - LEASE COMMITMENTS

The Shelter has an operating lease obligation for office equipment under a five year lease dated January 31, 2017. For the years ended December 31, 2020 and 2019, total lease payments were $6,488 and $7,425, respectively.

The future minimum lease payments due under this lease obligation is $4,770 for the year ended December 31, 2021.

NOTE 13 - BOARD RESTRICTED ENDOWMENT

In 2003, the Board approved the formation of an endowment fund to be known as the Dorchester Shelter for Prevention of Cruelty to Animals Endowment Fund per the terms of an Endowment Agreement. The Endowment Board must vote and approve the disbursement of any funds. Generally, these funds are meant for projects to improve or repair the Shelter. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. Endowment net assets composition by type of fund as of December 31, 2020 and 2019 are as follows:

	Audited 2020	*Reviewed* 2019
With donor restrictions:		
Endowment net assets, Beginning of the year	$ 858,502	$ 775,445
Contributions	570	-
Interest and dividends	25,959	35,252
Realized gain	5,991	2,126
Unrealized gain	48,695	91,982
Management fees	(3,933)	(3,898)
Appropriation from board-designated endowment for expenditures	-	(42,405)
Endowment net assets, End of the year	$ 935,784	$ 858,502

The investment income related to the donor restricted funds has been accounted for within the donor restrictions investment earnings on the Statements of Activities. There were no contributions to the with donor restrictions corpus during years ended December 31, 2020 and 2019.

NOTE 14 - RISKS AND UNCERTAINTIES

COVID-19 – The impact on the accompanying financial statements of the COVID-19 outbreak cannot be readily determined. Financial markets, distribution networks and the ultimate impact of this outbreak of the financial operations of the Shelter are difficult to assess and predict. The Shelter is taking steps to mitigate the impact of the outbreak, but the ultimate success of this endeavor cannot be predicted at this time.

NOTE 15 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through the report date of the financial statements and has concluded no significant subsequent events meet the criteria of professional accounting standards to be recognized or disclosed in the financial statements.