

**TONY LA RUSSA'S ANIMAL RESCUE FOUNDATION**

**(A California Not-For-Profit Corporation)**

**FINANCIAL STATEMENTS**

**JUNE 30, 2016 AND JUNE 30, 2015**

**TONY LA RUSSA'S ANIMAL RESCUE FOUNDATION**

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**JUNE 30, 2016 AND JUNE 30, 2015**

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## **Independent Auditor's Report**

The Board of Directors  
Tony La Russa's Animal Rescue Foundation  
Walnut Creek, California

We have audited the accompanying financial statements of Tony La Russa's Animal Rescue Foundation (a California not-for-profit corporation), which comprise the statement of financial position as of June 30, 2016, 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.

### **Auditor's 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 ny La Russa's Animal Rescue Foundation as of June 30, 2016, 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 Tony La Russa's Animal Rescue Foundation's 2015 financial statements, and our report dated October 22, 2015, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Arcenez Foran LLP*

*Danville, California  
October 25, 2016*

# TONY LA RUSSA'S ANIMAL RESCUE FOUNDATION

## STATEMENT OF FINANCIAL POSITION

As of June 30, 2016

(With summarized financial information as of June 30, 2015)

<u>ASSETS</u>	June 30, 2016				June 30, 2015 Comparative Totals
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	
<b>CURRENT:</b>					
Cash and cash equivalents	\$ 295,022	\$ 411,850	\$ -	\$ 706,872	\$ 425,634
Accounts receivable, net	34,833	-	-	34,833	24,304
Contributions receivable, net (note 10)	-	-	-	-	34,600
Inventory, net (note 5)	94,572	-	-	94,572	89,070
Prepaid expenses	84,642	-	-	84,642	82,251
<b>TOTAL CURRENT ASSETS</b>	<b>509,069</b>	<b>411,850</b>	<b>-</b>	<b>920,919</b>	<b>655,859</b>
<b>OTHER:</b>					
Investments (note 7)	20,641,002	244,836	1,612,549	22,498,387	17,972,597
Deposits	3,510	-	-	3,510	123,283
Property and equipment, net (note 11)	13,622,977	-	-	13,622,977	13,578,346
	<b>\$ 34,776,558</b>	<b>\$ 656,686</b>	<b>\$ 1,612,549</b>	<b>\$ 37,045,793</b>	<b>\$ 32,330,085</b>
<b><u>LIABILITIES AND NET ASSETS</u></b>					
<b>CURRENT:</b>					
Accounts and other payables	\$ 132,681	\$ -	\$ -	\$ 132,681	\$ 94,278
Accrued expenses	150,266	-	-	150,266	138,084
Deferred revenue	304,693	-	-	304,693	237,992
<b>TOTAL CURRENT LIABILITIES</b>	<b>587,640</b>	<b>-</b>	<b>-</b>	<b>587,640</b>	<b>470,354</b>
<b>NET ASSETS (notes 8 and 12)</b>	<b>34,188,918</b>	<b>656,686</b>	<b>1,612,549</b>	<b>36,458,153</b>	<b>31,859,731</b>
	<b>\$ 34,776,558</b>	<b>\$ 656,686</b>	<b>\$ 1,612,549</b>	<b>\$ 37,045,793</b>	<b>\$ 32,330,085</b>

**TONY LA RUSSA'S ANIMAL RESCUE FOUNDATION**

**STATEMENT OF ACTIVITIES**

**For the Year Ended June 30, 2016**

**(With summarized financial information for the year ended June 30, 2015)**

	<u>Year Ended June 30, 2016</u>			Total	Year Ended
	Unrestricted	Temporarily Restricted	Permanently Restricted		June 30, 2015
					Comparative Totals
<b>SUPPORT AND REVENUE:</b>					
Contributions	\$ 7,190,814	\$ 824,345	\$ -	\$ 8,015,159	\$ 5,141,802
Special events, net of expenses of \$565,082 (note 2)	1,126,324	-	-	1,126,324	1,025,798
Corporate sponsorship	434,000	-	-	434,000	432,273
Program fees	802,275	-	-	802,275	744,953
Retail sales	524,604	-	-	524,604	520,752
Other revenues	1,521	-	-	1,521	-
Net assets released from restriction (note 13)	693,654	(693,654)	-	-	-
<b>TOTAL SUPPORT AND REVENUE</b>	<b>10,773,192</b>	<b>130,691</b>	<b>-</b>	<b>10,903,883</b>	<b>7,865,578</b>
<b>OPERATING EXPENSES:</b>					
Program services	5,740,248	-	-	5,740,248	5,132,928
Fundraising expenses	422,239	-	-	422,239	380,360
Management and general	455,442	-	-	455,442	396,704
<b>TOTAL OPERATING EXPENSES</b>	<b>6,617,929</b>	<b>-</b>	<b>-</b>	<b>6,617,929</b>	<b>5,909,992</b>
<b>CHANGE IN NET ASSETS FROM OPERATIONS</b>	<b>4,155,263</b>	<b>130,691</b>	<b>-</b>	<b>4,285,954</b>	<b>1,955,586</b>
<b>OTHER CHANGES:</b>					
Net investment return including endowment funds (notes 7 and 8)	288,479	23,989	-	312,468	310,953
<b>CHANGE IN NET ASSETS</b>	<b>4,443,742</b>	<b>154,680</b>	<b>-</b>	<b>4,598,422</b>	<b>2,266,539</b>
<b>NET ASSETS, beginning of year</b>	<b>29,745,176</b>	<b>502,006</b>	<b>1,612,549</b>	<b>31,859,731</b>	<b>29,593,192</b>
<b>NET ASSETS, end of year</b>	<b>\$ 34,188,918</b>	<b>\$ 656,686</b>	<b>\$ 1,612,549</b>	<b>\$ 36,458,153</b>	<b>\$ 31,859,731</b>

**TONY LA RUSSA'S ANIMAL RESCUE FOUNDATION**

**STATEMENT OF FUNCTIONAL EXPENSES**

**For the Year Ended June 30, 2016**

**(With summarized financial information for the year ended June 30, 2015)**

	<b>Year Ended June 30, 2016</b>									Year Ended June 30, 2015 Comparative Totals
	Program Services					Support Services				
	Animal Care and Adoptions	Training	Veterinary Clinic	People Connect	Community Outreach	Total Program Services	Fundraising	Management and General	Total Expenses	
Salaries	\$ 1,022,332	\$ 269,961	\$ 817,784	\$ 240,149	\$ 312,152	\$ 2,662,378	\$ 140,880	\$ 261,362	\$ 3,064,620	\$ 2,819,280
Payroll tax	88,643	24,564	67,327	20,176	21,498	222,208	10,894	20,658	253,760	241,429
Employee benefits	121,370	39,713	86,082	24,689	38,706	310,560	18,997	18,272	347,829	353,307
Total payroll related expense	<u>1,232,345</u>	<u>334,238</u>	<u>971,193</u>	<u>285,014</u>	<u>372,356</u>	<u>3,195,146</u>	<u>170,771</u>	<u>300,292</u>	<u>3,666,209</u>	<u>3,414,016</u>
Occupancy expenses	147,134	37,349	167,107	25,129	6,623	383,342	10,143	14,565	408,050	387,075
Equipment rental, repairs and maintenance	36,845	15,663	122,741	10,317	8,714	194,280	18,104	23,208	235,592	99,954
Supplies	11,406	2,086	7,676	16,561	6,162	43,891	2,131	3,818	49,840	53,741
Printing and publications	98,142	30,721	113,377	15,106	39,566	296,912	76,117	4,664	377,693	310,997
Postage	5,259	1,663	6,384	810	957	15,073	5,563	2,840	23,476	21,974
Animal care and supplies	208,250	303	262,696	-	286,415	757,664	-	-	757,664	586,723
Conferences and education	2,355	709	5,796	3,385	620	12,865	2,601	1,431	16,897	12,978
Professional services	4,968	16,560	35,102	613	4,327	61,570	2,950	68,327	132,847	115,516
Advertising and promotion	59,863	18,461	69,633	9,509	30,635	188,101	112,759	1,851	302,711	330,980
Cost of goods sold	79,659	1,608	-	-	-	81,267	2,119	-	83,386	96,197
Travel and transportation	8,421	5,630	4,526	2,523	2,890	23,990	7,723	11,591	43,304	35,739
Insurance	40,969	10,729	9,694	6,553	-	67,945	1,602	3,754	73,301	48,020
Other expenses	34,172	8,642	26,539	6,961	27,959	104,273	1,383	2,168	107,824	78,489
Depreciation (note 9)	162,190	46,916	71,886	27,007	5,585	313,584	8,273	16,933	338,790	315,071
Bad debts	-	-	345	-	-	345	-	-	345	2,522
Total expenses	<u>\$ 2,131,978</u>	<u>\$ 531,278</u>	<u>\$ 1,874,695</u>	<u>\$ 409,488</u>	<u>\$ 792,809</u>	<u>\$ 5,740,248</u>	<u>\$ 422,239</u>	<u>\$ 455,442</u>	<u>\$ 6,617,929</u>	<u>\$ 5,909,992</u>

See notes to financial statements.

# TONY LA RUSSA'S ANIMAL RESCUE FOUNDATION

## STATEMENTS OF CASH FLOWS Years Ended June 30, 2016 and June 30, 2015

	2016	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Increase in net assets	\$ 4,598,422	\$ 2,266,539
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Unrealized (gain) loss on investments	(312,703)	29,609
(Gain) loss on sale of investments	(442,845)	(13,663)
(Gain) loss on disposal of property and equipment	1,378	-
Depreciation	338,790	315,071
Provision for bad debts	(635)	(55)
Provision for inventory write-downs	(1,781)	(866)
(Increase) decrease in assets:		
Accounts and contributions receivable	24,706	117,406
Inventory	(3,721)	7,866
Prepays	117,382	(129,028)
Increase (decrease) in liabilities:		
Accounts payable	38,403	2,655
Accrued expenses	12,182	6,478
Deferred revenue	66,701	(68,532)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>4,436,279</b>	<b>2,533,480</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of investments	(6,807,371)	(3,158,910)
Proceeds from sale of investments	3,037,129	473,745
Property and equipment purchases	(384,799)	(120,406)
<b>NET CASH USED BY INVESTING ACTIVITIES</b>	<b>(4,155,041)</b>	<b>(2,805,571)</b>
 <b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	 <b>281,238</b>	 <b>(272,091)</b>
 <b>CASH AND CASH EQUIVALENTS, beginning of year</b>	 <b>425,634</b>	 <b>697,725</b>
 <b>CASH AND CASH EQUIVALENTS, end of year</b>	 <b>\$ 706,872</b>	 <b>\$ 425,634</b>
 <b>SUPPLEMENTARY INFORMATION</b>		
Cash paid for interest expense	\$ -	\$ -
Cash paid for income taxes	\$ -	\$ -



# TONY LA RUSSA'S ANIMAL RESCUE FOUNDATION

## NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2016 AND JUNE 30, 2015

### **Note 1. NATURE OF BUSINESS**

Tony La Russa's Animal Rescue Foundation (ARF) was incorporated (as a Not-for-Profit corporation in California) in June 1991 for the purpose of ensuring humane treatment to domesticated animals.

ARF provides rescue, veterinary medical care, spay/neuter and adoption services for homeless cats and dogs; veterinary medical services and pet food sharing for low-income families as well as low cost spay/neuter programs for the community. Community outreach programs for children and teens promote the human/animal bond with a focus on those attending Title One schools as well as visits to people with disabilities or illness and adoptions for military veterans.

### **Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### Basis of accounting

ARF maintains its accounting records on the accrual basis of accounting, under which revenues are recognized as earned and expenses are recorded as incurred under generally accepted accounting principles (GAAP) for nonprofit organization in the United States of America.

#### Financial statement presentation

ARF prepares its financial statements following GAAP where 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. A description of the three net asset categories follows:

#### *Unrestricted net assets:*

The portion of net assets that is neither temporarily restricted nor permanently restricted by donor imposed stipulations.

#### *Temporarily restricted net assets:*

The portion of net assets whose use by ARF is limited by donor imposed stipulations that either will be fulfilled or expire by passage of time.

#### *Permanently restricted net assets:*

The portion of net assets whose use by ARF is limited by donor imposed stipulations that the net assets be held in perpetuity and its income be used for the stipulated purposes.

#### Cash equivalents

ARF considers all highly liquid investments with an initial maturity of three months or less when purchased to be cash equivalents. Cash and cash equivalents consist of commercial bank deposits available upon demand and money market fund deposits.

#### Receivables

Accounts receivable represent amounts billed but not yet collected for services. Contributions and trade receivables are stated at the amounts managements expect to collect from outstanding balances. Management provides for uncollectible amounts through a charge against revenue and a credit to a valuation allowance based on assessment of historical collectability. The allowance for doubtful accounts was \$377 for the year ended June 30, 2016 (\$1,012 in 2015). Balances still outstanding after management has used reasonable collection efforts are written off.

# TONY LA RUSSA'S ANIMAL RESCUE FOUNDATION

## NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2016 AND JUNE 30, 2015

### **Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### Promises to give

Unconditional promises to give are recognized as revenues in the period such promises are made by the donor. Conditional promises to give are recognized only when conditions on which they depend are substantially met and the promise becomes unconditional. Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable values. Unconditional promises to give that are expected to be collected in future years are reported at the present value of their net realizable value, determined using the risk free interest rate applicable for the year in which the promises are to be received. Amortization of discounts is included in contribution revenue.

#### Inventory

Inventory consists of purchased and donated items for auction or resale and is stated at the lower of cost or market determined in a first-in, first-out method. For memorabilia items, an adjustment is made to approximate the lower of cost or market based on the fair market value of the items. Goods donated to the thrift shop are not reflected in the financial statements since no objective basis is available to measure their value.

#### Property and equipment

All acquisitions of property and equipment in excess of \$5,000 and all expenditures for repairs, maintenance, renewals and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair market value at the date of donation. Property and equipment are depreciated using the straight-line method over useful lives ranging from 3 to 39 years. Leasehold improvements are amortized over the shorter of the life of the lease or the useful life of the improvements. Gifts of long-lived assets such as land, buildings, or equipment are reported as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

Maintenance and repairs are charged to expense as incurred. Major renewals or betterments are capitalized. The cost and accumulated depreciation of assets sold or retired are removed from the respective accounts and any gain or loss is reflected in the statement of activities.

#### Investments

ARF reports investments with readily determinable fair values at their fair values in the statement of financial position. Donated investments received are recorded as contributions at the fair value of the investment on the date of donation. Gains and losses and investment income derived from investments are accounted for as unrestricted, temporarily restricted or permanently restricted based on restrictions, if any, in the accompanying statement of activities. ARF intends to hold investments for long-term purposes and thus investments have been classified as other assets on the statement of financial position.

ARF invests in various investment vehicles. Investments are exposed to various risks, such as interest rate, market and credit risk. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the amounts reports in the statement of financial position.

# TONY LA RUSSA'S ANIMAL RESCUE FOUNDATION

## NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2016 AND JUNE 30, 2015

### Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Investments (continued)

GAAP establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under professional accounting standards are described as follows:

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Level 1	Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that ARF has the ability to access.
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Level 2	Inputs to the valuation methodology include: <ul style="list-style-type: none"><li>• quoted prices for similar assets or liabilities in active markets;</li><li>• quoted prices for identical or similar assets or liabilities in inactive markets;</li><li>• inputs other than quoted prices that are observable for the asset or liability;</li><li>• inputs that are derived principally from or corroborated by observable market data, by correlation or other means.</li></ul>
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If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

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Level 3	Inputs to the valuation methodology are unobservable and significant to the fair value measurement.
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#### Fair Value

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

#### Revenue recognition

Contributions are recognized as revenue when they are unconditionally communicated. Contributions consist principally of donations from individuals and other organizations. Contributions are recorded at their fair value as unrestricted support, temporarily restricted support or permanently restricted support, depending on the absence or existence of donor-imposed restrictions, as applicable. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. Temporarily restricted contributions where the restrictions are met in the same year as the contributions are received are reported as increases in unrestricted net assets. Contributions restricted for the purchase of long-lived assets are reported as unrestricted support when spent for that purpose.

#### Deferred revenue

Deferred revenue consists primarily of fees received in advance in connection with a contract with Purina for advertisement/media appearances, monies received in advance associated with the Camp ARF program to occur in the subsequent fiscal year and other monies received for various other sponsorships. These monies will be recognized as revenue over the period to which they are related.

# TONY LA RUSSA'S ANIMAL RESCUE FOUNDATION

## NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2016 AND JUNE 30, 2015

### **Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### Functional allocation of expenses

Costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities and detailed in the statement of functional expenses. Salaries and related expenses are allocated based on the actual time spent by employees on various activities. Occupancy and general expense are allocated based on the space usage by each function. Direct costs are allocated to the function that receives the incurred expense. Accordingly, certain costs have been allocated among the programs and supporting services (fundraising and management and general) benefited.

#### Fundraising costs

Fundraising costs are generally recorded as expenses when the fundraising event takes place which include costs associated with marketing, special events and grant writing. Such costs totaled \$987,321 and \$746,701 for the years ended June 30, 2016 and June 30, 2015, respectively, of which \$565,082 and \$366,702, respectively, related to special events. The balances of \$422,239 and \$380,360 at June 30, 2016 and June 30, 2015, respectively, have been reported as fundraising expense in the statement of activities.

#### Advertising and promotion costs

Advertising and promotion costs are generally recorded as expenses when the advertising first takes place. Such costs totaled \$302,711 and \$330,980 for the years ended June 30, 2016 and June 30, 2015, respectively.

#### Income taxes

ARF has received tax-exempt status under the Internal Revenue Code Section 501(c)(3) and under the California Revenue Code Section 23701(d).

ARF recognizes the financial statement benefit of an uncertain tax position only after considering the probability that a tax authority would sustain the position in an examination. For tax positions meeting a "more-likely-than-not" threshold, the amount recognized in the financial statements is the benefit expected to be realized upon settlement with the tax authority. For tax positions not meeting the threshold, no financial statement benefit is recognized. As of June 30, 2016, management has determined ARF has no uncertain tax positions. ARF recognizes interest and penalties, if any, related to uncertain tax positions as income tax expense (none in 2016 and 2015). Income tax returns for the years prior to 2012 for Federal (and 2011 for California) are no longer subject to examination by tax authorities. ARF is relying on its tax-exempt status and its adherence to all applicable laws and regulations to preserve that status.

#### Nature of estimates

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

### **Note 3. CONCENTRATIONS OF CREDIT RISK**

Financial instruments that potentially subject ARF to concentrations of credit risk consist principally of cash and cash equivalents and investments. ARF places its cash with high credit quality financial institutions. At times, the account balances may exceed the institution's federally insured limits. ARF has not experienced any losses in such accounts.

For the year ended June 30, 2016, one donor accounted for 10% or more of total donations (none in 2015).

# TONY LA RUSSA'S ANIMAL RESCUE FOUNDATION

## NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2016 AND JUNE 30, 2015

### **Note 4. DONATED GOODS AND SERVICES**

ARF relies heavily on donated goods and services to run its adoption center and thrift shop. A substantial number of unpaid volunteers have made significant contributions of time to ARF. For the years ended June 30, 2016 and June 30, 2015, volunteers donated approximately 104,503 and 94,797 hours to ARF activities, respectively. These hours included approximately 30,783 and 27,622 hours of foster care for animals, respectively. No amounts have been reflected in the financial statements for donated services since no objective basis is available to measure their value.

Contributed goods are included in the financial statements at their fair value where an objective basis of measurement is available. Such donated goods for the years ended June 30, 2016 and June 30, 2015 were reported as contributions of \$762,147 and \$549,047 respectively, with offsetting assets and expenses recorded in the corresponding categories as follows: program services \$531,708 and \$303,557, fund raising \$229,313 and \$244,804, and supporting services \$1,126 and \$686 for the years ended June 30, 2016 and June 30, 2015, respectively.

### **Note 5. INVENTORY**

	<u>2016</u>	<u>2015</u>
Donated sports memorabilia, net of allowance for write-down of \$59,061 in 2016 and \$60,842 in 2015	\$ 59,061	\$ 60,841
ARF wear garments	7,556	6,892
Miscellaneous items	<u>27,955</u>	<u>21,337</u>
	<u>\$ 94,572</u>	<u>\$ 89,070</u>

### **Note 6. JOINT COSTS**

In 2015 and 2016, ARF conducted activities that included requests for contributions as well as program component. Those activities include special events and direct mail campaigns. The costs of conducting those activities included a total of \$404,358 and \$354,831 of joint costs for the years ended June 30, 2016 and June 30, 2015, respectively, which are not specifically attributable to particular components of the activities. For the year ended June 30, 2016, total joint costs allocated to program is \$279,091 (\$243,746 in 2015) and \$125,267 (\$111,085 in 2015) was allocated to fundraising.

### **Note 7. INVESTMENTS**

ARF's investment funds are managed by a third party financial advisor. Based on the fund's time horizon, risk tolerances, performance expectations, and asset class preferences, an optimal portfolio was identified. ARF's financial advisors shall pursue a "Diversified Market Neutral Strategy". Consequently, the strategic asset allocation of the fund assets shall be as follows until ARF's board and its financial advisors elect to pursue an alternative strategy:

- Mid/Small and Large Capitalization Equity at 42%
- International equity at 18%
- Taxable bonds at 40%.

# TONY LA RUSSA'S ANIMAL RESCUE FOUNDATION

## NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2016 AND JUNE 30, 2015

### Note 7. INVESTMENTS (continued)

The funds are rebalanced at least on an annual basis to ensure that the funds are adhering to ARF's investment objectives:

- Objective #1: To obtain the highest level of return for ARF's desired level of risk in a manner prudent for a non-profit foundation.
- Objective #2: To limit risk exposure through diversification of asset classes and investment vehicles within asset classes.
- Objective #3: To establish policies based on total return rather than current income. This provides the greatest investment flexibility and therefore greatest opportunity for growth of assets.
- Objective #4: To maintain the purchasing power of the fund by achieving appropriate inflation-adjusted returns. ARF desires to maintain the level of services in relation to average cost increases. This requires establishing a spending rate of no more than 7%.
- Objective #5: Apply a smoothing rule to mitigate the effects of short-term market volatility on spending.
- Objective #6: To control the costs of administering and managing the fund.

The following schedule summarizes the net investment return for the years ended June 30, 2016 and June 30, 2015:

	June 30, 2016			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Net unrealized gain/(loss)	\$ 312,893	\$ (190)	\$ -	\$ 312,703
Net realized loss	(407,515)	(35,330)	-	(442,845)
Dividend income	413,013	64,603	-	477,616
Interest income	1,189	-	-	1,189
	319,580	29,083	-	348,663
Less investment fees	(31,101)	(5,094)	-	(36,195)
Net investment return	\$ 288,479	\$ 23,989	\$ -	\$ 312,468
	June 30, 2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net unrealized loss	\$ (26,839)	\$ (2,770)	\$ -	\$ (29,609)
Net realized gains	11,412	2,251	-	13,663
Dividend income	301,454	56,596	-	358,050
Interest income	2,269	-	-	2,269
	288,296	56,077	-	344,373
Less investment fees	(27,933)	(5,487)	-	(33,420)
Net investment return	\$ 260,363	\$ 50,590	\$ -	\$ 310,953

# TONY LA RUSSA'S ANIMAL RESCUE FOUNDATION

## NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2016 AND JUNE 30, 2015

**Note 7. INVESTMENTS (continued)**

The following tables set forth by level, the fair value hierarchy, ARF's investments at fair value as of June 30, 2016 and June 30, 2015:

Assets at Fair Value as of June 30, 2016

	Quoted Prices in Active Market (Level 1)	Cost	Unrealized Gain/(Loss)
<b>EQUITY SECURITIES:</b>			
International Fund	\$ 1,058,343	\$ 1,120,208	\$ (61,865)
Growth Fund	631,761	626,638	5,123
Value Fund	525,268	503,763	21,505
<b>BONDS:</b>			
Core Plus Fund	1,667,793	1,623,419	44,374
Income	111,442	112,833	(1,391)
Total Return	5,556,529	5,449,632	106,897
Admiral Shares	728,358	731,291	(2,933)
<b>EXCHANGE TRADED FUNDS:</b>			
International Fund	1,033,089	1,171,623	(138,534)
Growth Fund	1,688,052	1,574,621	113,431
Value Fund	419,555	397,584	21,971
Stock Market	2,221,772	2,108,148	113,624
Dividend Funds	948,904	815,216	133,688
Small-Mid Portfolio	470,296	409,149	61,147
US 1000 Portfolio	1,682,853	1,613,798	69,055
REIT	618,219	593,921	24,298
Emerging Markets	171,081	206,288	(35,207)
Index Fund	2,287,669	2,190,128	97,541
<b>MONEY MARKET FUNDS</b>	677,403	677,403	-
	\$ 22,498,387	\$ 21,925,663	\$ 572,724

# TONY LA RUSSA'S ANIMAL RESCUE FOUNDATION

## NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2016 AND JUNE 30, 2015

**Note 7. INVESTMENTS (continued)**

Assets at Fair Value as of June 30, 2015

	Quoted Prices in Active Market (Level 1)	Cost	Unrealized Gain/(Loss)
<b>EQUITY SECURITIES:</b>			
International Fund	\$ 735,093	\$ 764,539	\$ (29,446)
Growth Fund	243,463	243,311	152
<b>BONDS:</b>			
Core Plus Fund	1,614,204	1,620,453	(6,249)
Income	639,275	657,181	(17,906)
Total Return	890,725	899,549	(8,824)
Admiral Shares	3,457,628	3,496,294	(38,666)
<b>EXCHANGE TRADED FUNDS:</b>			
International Fund	980,237	1,042,195	(61,958)
Growth Fund	1,558,102	1,429,489	128,613
Value Fund	374,717	361,080	13,637
Stock Market	1,511,391	1,409,377	102,014
Dividend Funds	1,079,404	1,015,683	63,721
REIT	361,998	365,326	(3,328)
Emerging Markets	467,099	500,766	(33,667)
Small-Mid Portfolio	1,651,340	1,537,206	114,134
Low Volatility Portfolio	344,681	328,441	16,240
US 1000 Portfolio	605,212	580,492	24,720
Developed Markets	278,381	310,985	(32,604)
Index Fund	1,089,083	1,059,646	29,437
<b>MONEY MARKET FUNDS</b>	90,564	90,564	-
	\$ 17,972,597	\$ 17,712,577	\$ 260,020



# TONY LA RUSSA'S ANIMAL RESCUE FOUNDATION

## NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2016 AND JUNE 30, 2015

### Note 8. ENDOWMENTS

ARF's endowment net assets consist of funds whose corpus is to remain intact and include those assets of donor-restricted funds that ARF must hold in perpetuity or for a donor-specified term. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Endowment Net Asset Composition:

June 30, 2016	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted endowment	<u>\$ 891,688</u>	<u>\$ 244,836</u>	<u>\$ 1,612,549</u>	<u>\$ 2,749,073</u>
June 30, 2015	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted endowment	<u>\$ 702,703</u>	<u>\$ 409,832</u>	<u>\$ 1,612,549</u>	<u>\$ 2,725,084</u>

The Board of ARF has full authority and plenary power to manage, invest and reinvest any principal of the fund and any increase or accumulations to it and any income from it; however, the Board has a fiduciary duty to maintain the principal of the fund.

Net changes in endowment funds were as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Balance, June 30, 2014	\$ 529,729	\$ 532,215	\$ 1,612,549	\$ 2,674,493
Dividend income	-	56,596	-	56,596
Net realized and unrealized gains on investments	-	(518)	-	(518)
Appropriations	172,974	(172,974)	-	-
Investment fees	-	(5,487)	-	(5,487)
Balance, June 30, 2015	702,703	409,832	1,612,549	2,725,084
Dividend income	-	64,603	-	64,603
Net realized and unrealized gains on investments	-	(35,520)	-	(35,520)
Appropriations	188,985	(188,985)	-	-
Investment fees	-	(5,094)	-	(5,094)
Balance, June 30, 2016	<u>\$ 891,688</u>	<u>\$ 244,836</u>	<u>\$ 1,612,549</u>	<u>\$ 2,749,073</u>

# TONY LA RUSSA'S ANIMAL RESCUE FOUNDATION

## NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2016 AND JUNE 30, 2015

### **Note 8. ENDOWMENTS (continued)**

ARF has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA), signed into law in California in 2008, as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, ARF classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. ARF considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the fund, (2) the purpose of ARF and the donor-restricted endowment fund, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation and depreciation of investments, and (6) the investment policies of ARF.

In absence of donor restrictions, the net appreciation on a donor-restricted endowment fund is spendable. Through June 30, 2015, ARF received one endowment (in 2005), of which the principal balance of \$1,612,549 is permanently restricted. The ARF donor indicated that the use of the investment income, including net appreciation, resulting from the donor-restricted endowment funds should be used by ARF exclusively for charitable purposes for the well-being, advancement, preservation and care of small animals in California, with particular emphasis given (but not limited to) dogs and cats and also may be used (but are not limited to) veterinary care, particularly including spaying and neutering, preservation, rescue and placement.

ARF has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding of programs supported by its endowment while also maintaining the purchase power of the endowment assets. In establishing this policy, ARF considered the long-term expected investment return on its endowment assets. Approved by its Board of Directors, endowment assets are invested in a manner that is intended to produce results that exceed the respective benchmark while assuming a moderate level of investment risk. Accordingly, over the long term, ARF expects its endowment assets, over time, to produce the highest level of return, net investment fees, for the desired level of risk. Actual returns in any given year may vary from this amount.

The Board of Directors established a spending rate of no more than 7% of the average annual fair value of the investment balance of the endowment funds for the prior two fiscal year ends). In establishing this policy, ARF considered the long-term expected return on its endowment assets, the nature and duration of the endowment funds, many of which must be maintained in perpetuity because of donor restrictions and possible effects of inflation. Accordingly, over the long term, ARF expects their spending policy to allow its endowment to grow at a rate exceeding expected inflation.

### **Note 9. LINE OF CREDIT**

In August 2011, ARF entered into a \$350,000 revolving line of credit with a bank, which bears interest at 0.5% over the bank's prime rate (3.50% at June 30, 2016). Effective July 19, 2016, the maturity date of the loan was extended to August 5, 2017. No amounts were outstanding in connection with the respective line of credit as of June 30, 2016 and 2015 and all loan covenants were satisfied for the periods then ended. No amounts were borrowed on these bank lines during 2016 and 2015.

# TONY LA RUSSA'S ANIMAL RESCUE FOUNDATION

## NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2016 AND JUNE 30, 2015

**Note 10. CONTRIBUTIONS RECEIVABLE**

Contributions receivable is comprised of the following at June 30, 2016 and 2015:

	June 30,	
	2016	2015
Pledges receivable	\$ -	\$ 34,600
Classified as:		
Less than one year	\$ -	\$ 34,600

**Note 11. PROPERTY AND EQUIPMENT**

Property and equipment consists of the following at June 30, 2016 and 2015:

	2016	2015
Buildings and improvements	\$ 9,707,861	\$ 9,690,770
Land	7,264,668	7,264,668
Furniture and fixtures	644,312	673,180
Vehicles	447,541	169,261
Machinery and equipments	86,180	83,706
Website development costs	62,500	62,500
Leasehold improvements	35,168	35,168
	18,248,230	17,979,253
Less: accumulated depreciation and amortization	(4,625,253)	(4,400,907)
Property and equipment, net	\$ 13,622,977	\$ 13,578,346

Depreciation expense was \$338,790 in 2016 and \$315,071 in 2015.

**Note 12. TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets are available for the following purposes at June 30, 2016 and 2015:

	2016	2015
Endowment funds	\$ 244,836	\$ 409,832
Spay and neuter vehicle	196,722	-
Animal care grant	151,000	-
Humane education fund	32,000	17,356
Hope fund	14,238	12,914
Bridges scholarship	12,589	7,975
Others	5,301	9,474
Spay and neuter grant	-	23,328
Military veterans program	-	21,127
Total temporarily restricted net assets	\$ 656,686	\$ 502,006

# TONY LA RUSSA'S ANIMAL RESCUE FOUNDATION

## NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2016 AND JUNE 30, 2015

**Note 13. NET ASSETS RELEASED FROM RESTRICTIONS**

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes for the years ended June 30, 2016 and 2015 as follows:

	2016	2015
Military and veterans fund	\$ 212,350	\$ 162,934
Endowment funds	188,985	172,974
Spay and neuter vehicle	69,378	-
Spay and neuter services	54,328	85,512
Animal care and foster care	35,029	23,281
Adoptions	26,814	33,284
Hope fund	24,506	20,667
Fire fund	22,219	-
Clinic	21,305	14,615
Humane education fund	19,237	29,895
Emergency medical fund	9,597	17,286
Scholarships	5,386	4,897
Other	4,520	5,100
Totals	\$ 693,654	\$ 570,445

**Note 14. RETIREMENT PLAN**

ARF maintains a 403(b) plan for all eligible employees. ARF made no employer contributions in 2016 and 2015. Employee salary deferrals withheld from employee payrolls are directly deposited with the plan custodian on behalf of the participants. Employees may contribute up to the annual IRS limit.

**Note 15. LEASE COMMITMENTS**

The ARF thrift store operates from the Market Street Park and Shop Center in Concord, California under an operating lease which expires on November 30, 2016. Under the terms of the lease agreement, minimum rental payments are adjusted annually using a specific formula. In no event shall the adjustment be less than 3% or greater than 5% of the prior year's rent. Monthly rent expense for the thrift store lease was \$7,837 in 2016 and \$7,669 in 2015.

ARF also has non-cancelable operating agreements for the lease of various pieces of office equipment with expiration dates between January 2018 and August 2018.

Total rent expense was \$127,733 in 2016 and \$121,031 in 2015.

ARF's future minimum lease payments under the leases are as follows:

Years Ending June 30,	
2017	\$ 66,250
2018	10,813
2019	5,793
2020	3,581
2021	-
	\$ 86,437

# **TONY LA RUSSA'S ANIMAL RESCUE FOUNDATION**

## **NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2016 AND JUNE 30, 2015**

### **Note 16. SUBSEQUENT EVENTS**

Management has evaluated subsequent events since June 30, 2016 and through October 25, 2016, the date which the financial statements were available for issue (the date of the independent auditor's report). No significant events were identified that require adjustments to or disclosures in the financial statements.