

TONY LA RUSSA'S ANIMAL RESCUE FOUNDATION

FINANCIAL STATEMENTS

Year Ended June 30, 2010

TONY LA RUSSA'S ANIMAL RESCUE FOUNDATION

Year Ended June 30, 2010

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SHEA LABAGH DOBBERSTEIN

Certified Public Accountants, Inc.

INDEPENDENT AUDITORS' REPORT

THE BOARD OF DIRECTORS OF

TONY LA RUSSA'S ANIMAL RESCUE FOUNDATION

We have audited the accompanying statement of financial position of TONY LA RUSSA'S ANIMAL RESCUE FOUNDATION (a California not-for-profit corporation) as of June 30, 2010, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of management. 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 of 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 statements presentation. We believe that our audit provides 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 TONY LA RUSSA'S ANIMAL RESCUE FOUNDATION as of June 30, 2010, and the changes in its net assets, and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

SHEA LABAGH DOBBERSTEIN
Certified Public Accountants, Inc.

October 15, 2010

TONY LA RUSSA'S ANIMAL RESCUE FOUNDATION

STATEMENT OF FINANCIAL POSITION

June 30, 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<u>ASSETS</u>				
<u>CURRENT ASSETS</u>				
Cash and Cash Equivalents	\$ 3,099,211	\$ 33,874	\$ -	\$ 3,133,085
Accounts Receivable, Net of Allowance for Bad Debts of \$7,154	88,214	-	-	88,214
Inventory, Net of Allowance for Write-Down of \$80,033	102,170	-	-	102,170
Prepaid Expenses	62,777	-	-	62,777
 <u>TOTAL CURRENT ASSETS</u>	 3,352,372	 33,874	 -	 3,386,246
 <u>INVESTMENTS</u>	 2,558,398	 -	 1,612,549	 4,170,947
 <u>PROPERTY AND EQUIPMENT, NET</u>	 12,461,474	 -	 -	 12,461,474
 <u>DEPOSITS</u>	 125,000	 -	 -	 125,000
 <u>TOTAL ASSETS</u>	 <u>\$ 18,497,244</u>	 <u>\$ 33,874</u>	 <u>\$ 1,612,549</u>	 <u>\$ 20,143,667</u>
<u>LIABILITIES AND NET ASSETS</u>				
<u>CURRENT LIABILITIES</u>				
Accounts Payable and Accrued Expenses	\$ 222,044	\$ -	\$ -	\$ 222,044
Deferred Revenue	136,850	-	-	136,850
 <u>TOTAL CURRENT LIABILITIES</u>	 358,894	 -	 -	 358,894
 <u>NET ASSETS</u>	 <u>18,138,350</u>	 <u>33,874</u>	 <u>1,612,549</u>	 <u>19,784,773</u>
 <u>TOTAL LIABILITIES AND NET ASSETS</u>	 <u>\$ 18,497,244</u>	 <u>\$ 33,874</u>	 <u>\$ 1,612,549</u>	 <u>\$ 20,143,667</u>

TONY LA RUSSA'S ANIMAL RESCUE FOUNDATION

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year Ended June 30, 2010

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<u>REVENUES AND OTHER SUPPORT</u>				
Contributions	\$ 4,250,226	\$ 85,581	\$ -	\$ 4,335,807
Special Events, Net of Expenses of \$544,655	965,691	-	-	965,691
Fees	716,935	-	-	716,935
Retail Sales	469,679	-	-	469,679
Corporate Sponsorship	326,300	-	-	326,300
Net Assets Released from Restriction	104,050	(104,050)	-	-
<u>TOTAL REVENUES AND OTHER SUPPORT</u>	<u>6,832,881</u>	<u>(18,469)</u>	<u>-</u>	<u>6,814,412</u>
<u>EXPENSES</u>				
Program Services	4,086,677	-	-	4,086,677
Supporting Services	243,269	-	-	243,269
Fundraising	207,874	-	-	207,874
<u>TOTAL EXPENSES</u>	<u>4,537,820</u>	<u>-</u>	<u>-</u>	<u>4,537,820</u>
Excess (Deficit) of Revenues and Other Support Over Expenses Before Other Changes	2,295,061	(18,469)	-	2,276,592
<u>OTHER CHANGES</u>				
Investment Return Increased by the Portion of Net Appreciation in Fair Value of Endowment Fund Designated for Current Operations	376,486	-	-	376,486
<u>CHANGES IN NET ASSETS</u>	<u>2,671,547</u>	<u>(18,469)</u>	<u>-</u>	<u>2,653,078</u>
<u>NET ASSETS, Beginning of Year</u>	<u>15,466,803</u>	<u>52,343</u>	<u>1,612,549</u>	<u>17,131,695</u>
<u>NET ASSETS, End of Year</u>	<u>\$ 18,138,350</u>	<u>\$ 33,874</u>	<u>\$ 1,612,549</u>	<u>\$ 19,784,773</u>

TONY LA RUSSA'S ANIMAL RESCUE FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2010

	Program Services						Support Services			Total Expenses
	Animal Care	Adoptions	Training	People Connect	Veterinary Clinic	Total Program Services	Fundraising	Supporting Services		
Salaries	\$ 709,702	\$ 250,255	\$ 56,888	\$ 268,074	\$ 514,789	\$ 1,799,708	\$ 113,978	\$ 109,235	\$ 2,022,921	
Depreciation	117,577	111,518	50,933	35,130	59,100	374,258	9,522	14,311	398,091	
Animal Care and Supplies	179,392	109	189	-	206,040	385,730	-	-	385,730	
Occupancy Expenses	55,490	54,054	24,181	18,918	134,782	287,425	9,379	13,169	309,973	
Printing and Publications	88,516	43,194	5,018	17,055	80,149	233,932	11,702	6,991	252,625	
Professional Services	53,055	31,177	70,929	3,631	56,870	215,662	10,714	8,237	234,613	
Employee Benefits	84,787	22,276	4,068	34,350	55,703	201,184	9,276	6,737	217,197	
Payroll Tax	63,738	21,905	5,229	22,837	45,827	159,536	8,654	7,834	176,024	
Cost of Goods Sold	53,626	27,896	1,407	-	59,542	142,471	-	-	142,471	
Advertising and Promotion	30,100	17,929	881	257	29,010	78,177	4,575	29,815	112,567	
Other Expense	10,689	9,118	1,138	4,425	13,601	38,971	6,626	20,926	66,523	
Supplies	5,928	7,118	1,493	21,727	5,981	42,247	8,139	5,556	55,942	
Insurance	13,016	14,936	5,821	5,198	5,020	43,991	1,130	1,504	46,625	
Equipment Rental, Repairs & Maint.	9,971	893	604	1,060	7,509	20,037	10,429	9,725	40,191	
Postage	8,100	1,158	375	11,053	2,702	23,388	2,560	5,047	30,995	
Travel and Transportation	9,072	1,724	-	8,358	483	19,637	246	2,145	22,028	
Conferences and Education	612	-	-	15,090	730	16,432	944	2,037	19,413	
Bad Debts	-	-	-	-	3,891	3,891	-	-	3,891	
Total Expenses	\$ 1,493,371	\$ 615,260	\$ 229,154	\$ 467,163	\$ 1,281,729	\$ 4,086,677	\$ 207,874	\$ 243,269	\$ 4,537,820	

See accompanying notes to financial statements.

TONY LA RUSSA'S ANIMAL RESCUE FOUNDATION

STATEMENT OF CASH FLOWS

Year Ended June 30, 2010

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

CASH FLOWS FROM OPERATING ACTIVITIES

Change in Net Assets	\$ 2,653,078
Adjustments to Reconcile Change in Net Assets to Net Cash Provided By Operating Activities:	
Net Realized and Unrealized Gains on Investments	(264,967)
Loss on Sale of Investments	9,098
Depreciation	398,090
Provision for Doubtful Accounts	3,891
Provision for Inventory Write-Down	4,649
Increase in Operating Assets:	
Accounts Receivable	(55,747)
Inventory	(4,067)
Prepaid Expenses	(2,984)
(Increase) Decrease in Operating Liabilities:	
Accounts Payable and Accrued Expenses	(13,708)
Deferred Revenue	45,756

NET CASH PROVIDED BY OPERATING ACTIVITIES 2,773,089

CASH FLOWS FROM INVESTING ACTIVITIES

Purchases of Investments	(1,783,622)
Purchases of Property and Equipment	(75,270)
Deposits on Purchase of Land	(125,000)

NET CASH USED IN INVESTING ACTIVITIES (1,983,892)

NET INCREASE IN CASH AND CASH EQUIVALENTS 789,197

CASH AND CASH EQUIVALENTS, Beginning of Year 2,343,888

CASH AND CASH EQUIVALENTS, End of Year \$ 3,133,085

TONY LA RUSSA'S ANIMAL RESCUE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE 1 – ORGANIZATION

TONY LA RUSSA'S ANIMAL RESCUE FOUNDATION ("ARF") is a not-for-profit public benefit California corporation created in June 1991 for the purpose of ensuring humane treatment to domesticated animals.

ARF provides rescue and adoption for homeless or stray animals and also funds emergency medical services, pet food sharing for low-income families and spay/neuter programs. Community outreach programs promote the human/animal bond and focus on populations such as at-risk youth, abused children, the ill or disabled, and the elderly.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation – The financial statements of ARF have been prepared on the accrual basis of accounting.

On June 30, 2009, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 168, *The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles (as amended)*. This standard established the Accounting Standards Codification ("FASB ASC") as the single source of authoritative accounting principles generally accepted in the United States of America recognized by the FASB to be applied by nongovernmental entities. Substantially all previous United States generally accepted accounting principle standards issued by a standard setter are superseded and are codified into the FASB ASC. The FASB ASC is effective for financial statements issued for periods ending after September 15, 2009. Adoption of the FASB ASC had no impact on ARF's financial position or changes in net assets.

Accounting principles generally accepted in the United States of America ("US GAAP") require that ARF reports information about its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. Accordingly, the net assets of ARF are classified and reported as described below:

Unrestricted: Those net assets and activities which represent the portion of expendable funds that are available to support the operation of ARF. The Board of Directors may designate a portion of these net assets for specific purposes.

Temporarily Restricted: Those net assets and activities which are donor-restricted for (a) support for specific operating activities; (b) investment for specified term; (c) use in a specified future period; or (d) acquisition of long-lived assets.

TONY LA RUSSA'S ANIMAL RESCUE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Permanently Restricted: Those net assets and activities which are permanently donor-restricted for holdings of (a) assets donated with stipulations that they be used for a specific purpose, be preserved, and not to be sold; or (b) assets donated with stipulations that they be invested to provide a permanent source of income.

Use of Estimates – The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosures of contingent assets and liabilities at the date of financial statements and reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Cash and 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 – Receivables are stated at the amount ARF expects to collect. ARF's policy is to review accounts receivable periodically and to assess the probability of collection. When it is deemed probable that amounts are not collectible, an allowance for doubtful accounts is established with a corresponding charge to operations. The allowance for doubtful accounts was \$7,154 as of June 30, 2010. Bad debt expense was \$3,891 for the year ended June 30, 2010.

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 promises become unconditional. Unconditional promises to give that are expected to be collected within one year are recorded at estimated 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 the discounts is included in contribution revenue.

Inventory – Inventory consists of purchased and donated items for auction or resale and are stated at the lower of cost or market determined by the 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.

TONY LA RUSSA'S ANIMAL RESCUE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment – Purchases are recorded at cost; donated items of property and equipment used in operations are recorded at their estimated fair value at the date of donation. Property with an initial book value of \$1,000 or greater is capitalized. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support. The costs of major remodeling and improvements on leased facilities are capitalized as leasehold improvements. ARF utilizes the straight-line method of depreciation over the estimated useful lives of the assets ranging from three to 39 years.

Maintenance and repairs are charged to expense as incurred; major renewals and 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 and changes in net assets.

ARF regularly evaluates its long-lived assets for indicators of possible impairment. Should an impairment exist, the impairment loss would be measured based on the excess carrying value of the assets over the asset's fair market value or discounted estimates of future cash flows. ARF has not identified any such impairment losses to date.

Investments – ARF states 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 investments 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 and changes in net assets.

FASB ASC *Fair Value Measurements and Disclosures* defines fair value of an investment as the amount that would be received upon sale of the investment in an orderly transaction between market participants at the measurement date (i.e. the exit price). FASB ASC *Fair Value Measurements and Disclosures* establishes a hierarchal disclosures framework which prioritizes and ranks the level of market price observability used in measuring investments at fair value. Market price observability is impacted by a number of factors, including the type of investment and the characteristics specific to the investment. Investments with readily available active quoted prices or for which fair value can be measured from actively quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value.

TONY LA RUSSA'S ANIMAL RESCUE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments (Continued):

FASB ASC *Fair Value Measurements and Disclosures* requires investments measured and reported at fair value to be classified and disclosed in one of the following categories:

Level 1 – Quoted prices are available in active markets for identical investments as of the reporting date. The types of investment included in Level 1 are publicly traded debt and equity securities. As required by FASB ASC *Fair Value Measurements and Disclosures*, ARF does not adjust the quoted price for these investments even in situations where ARF holds a large position and a sale could reasonably impact the quoted price.

Level 2 – Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies. Investments which are generally included in this category are publicly traded equity securities with restrictions.

Level 3 – Pricing inputs are unobservable and include situations where there is little, if any, market activity for the investment. Fair value for these investments are estimated by ARF using valuation methodologies that consider a range of factors, including but not limited to the price at which the investment was acquired, the nature of the investment, local market conditions, trading values on public exchanges for comparable securities, current and projected operating performance, financial condition and financing transactions subsequent to the acquisition of the investment. The inputs into the determination of fair value require significant judgment by ARF. Due to the inherent uncertainty of these estimates, these values may differ materially from the fair values that would have been used had a ready market for these investments existed. Investments that are included in this category generally include general and limited partnerships and member equity interests in corporate private equity and debt securities.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. Management's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the investment.

TONY LA RUSSA'S ANIMAL RESCUE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments (Continued):

Realized gains or losses on investments represent the difference between the original cost of the securities on a specific identified cost basis and the related fair market value on the date of sale or distribution. They include the original cost of the investments written-off, if any. When the investments are sold, gains or losses are classified as realized. The deemed gains or losses from any in-kind distribution of securities represent the difference between the fair value of the securities distributed as of the date of distribution and the original cost. The difference between the original cost and the fair value of investments held at the end of the year represents unrealized appreciation or depreciation.

Revenue Recognition:

Contributions – Contributions consist principally of donations from individuals and other organizations. Contributions are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor stipulations.

Contributions that are restricted by the donor are reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanent restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities and changes in net assets as net assets released from restrictions.

Spending Rate – The Board of Directors designates 100% of ARF's annual cumulative investment return earned from endowment investment for current operations. The Board of Directors established a spending rate of no more than 5% of the average fair market value of the investment balance of such funds over the calendar year (Note 11).

Deferred Revenue – Deferred revenue consists primarily of the fees received in advance associated with the Camp ARF program to occur in the subsequent fiscal year. These fees will be recognized as revenue over the period to which they are related to.

TONY LA RUSSA'S ANIMAL RESCUE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional Allocation of Expenses – The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities and changes in and functional expenses. Salaries and related expenses are allocated based on the actual time spent by employees on various activities. Occupancy and general expenses 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 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 \$752,529 for the year ended June 30, 2010, of which \$544,655 related to special events. The balance of \$207,874 has been reported as fundraising expense on the accompanying 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 \$112,567 for the year ended June 30, 2010.

Income Tax Status – ARF is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. ARF has also been classified as an entity that is not a private foundation within the meaning of Section 509(a) and qualifies for deductible contributions as provided in Section 170(b)(1)(A)(vi). ARF is exempt from California franchise taxes under Section 23701 of the California Revenue and Taxation Code.

NOTE 3 – CONCENTRATION

Financial instruments, which potentially subject ARF to credit risk, consist principally of cash equivalents and investments with high credit quality financial institutions. These instruments are also subject to other market risk conditions such as interest rate risk, equity market risks and their implied volatilities and market liquidity and funding risks.

Cash and cash equivalents on deposit with financial institutions are guaranteed by the Federal Deposit Insurance Corporation up to \$250,000 for all cash accounts with each financial institution as of June 30, 2010. At various times during the year ended June 30, 2010, ARF had cash balances in excess of the insured limits.

For the year ended June 30, 2010, one donor accounted for 26% of the total donations.

TONY LA RUSSA'S ANIMAL RESCUE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

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 year ended June 30, 2010, volunteers donated approximately 86,647 hours to ARF activities. These hours included approximately 30,600 hours of foster care for animals. 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 year ended June 30, 2010 were reported as contributions of \$422,211, with offsetting assets and expenses recorded in the corresponding categories as follows: program services \$130,918, fund raising \$282,197, and supporting services \$3,095.

NOTE 5 – INVENTORY

At June 30, 2010, inventory consisted of the following:

Donated Sports Memorabilia, Net of Allowance for Write-Down of \$80,033	\$ 80,034
ARF Wear Garments	5,807
Miscellaneous Items	<u>16,329</u>
	<u>\$ 102,170</u>

TONY LA RUSSA'S ANIMAL RESCUE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE 6 – INVESTMENTS

ARF's investments are recorded at fair value on a recurring basis. Investments are valued using Level 1 inputs and are based on unadjusted quoted market prices within active markets at June 30, 2010

	<u>Fair Value</u>	<u>Cost</u>	<u>Unrealized Gains/(Loss)</u>
Equity Securities:			
Total Stock Market Index Adm	\$ 946,872	\$ 984,765	\$ (37,893)
Total International Stock Index	462,078	509,233	(47,155)
US Growth Fund Admiral	327,063	349,296	(22,233)
Windsor II Fund Adm	325,623	346,195	(20,572)
Explorer Fund Investor	140,242	136,210	4,032
Strategic Equity Fund	139,304	141,666	(2,362)
	<u>2,341,182</u>	<u>2,467,365</u>	<u>(126,183)</u>
Bonds:			
Total Bond Market Index Adm	921,361	883,489	37,872
Inter-Term Invest-Gr Adm	552,938	517,950	34,988
Short-Term Invest-Gr Adm	355,466	346,579	8,887
	<u>1,829,765</u>	<u>1,748,018</u>	<u>81,747</u>
	<u>\$ 4,170,947</u>	<u>\$ 4,215,383</u>	<u>\$ (44,436)</u>

The following schedule summarizes the net investment return for the year ended June 30, 2010.

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Net Realized and Unrealized				
Gains on Investments	\$ 264,967	\$ -	\$ -	\$ 264,967
Dividend Income	121,806	-	-	121,806
Interest Income	13,033	-	-	13,033
Loss on sale of stocks	(9,098)	-	-	(9,098)
	<u>390,708</u>	<u>-</u>	<u>-</u>	<u>390,708</u>
Less: Investment Fees	14,222	-	-	14,222
	<u>\$ 376,486</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 376,486</u>

TONY LA RUSSA'S ANIMAL RESCUE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE 7 – PROPERTY AND EQUIPMENT

At June 30, 2010, property and equipment consisted of the following:

Land and Building	\$ 14,359,051
Machinery and Equipment	137,555
Vehicles	145,893
Furniture and Fixtures	603,346
Leasehold Improvements	<u>22,393</u>
	15,268,238
Less – Accumulated Depreciation	<u>2,806,764</u>
	<u>\$ 12,461,474</u>

Depreciation expense was \$398,090 for the year ended June 30, 2010.

On May 26, 2010, ARF entered into a Real Estate Purchase Agreement to purchase parcels of land of approximately 2.41 acres for a total consideration of \$2,500,000. As of June 30, 2010, ARF made a deposit in the amount of \$125,000 representing earnest money for the purchase of these properties, which is presented as Deposits in the statement of financial position.

NOTE 8 – LINE OF CREDIT

On April 6, 2009, ARF entered into a \$750,000 revolving line of credit with a bank, which bears interest at the bank's prime rate plus 2% (5.25% at June 30, 2010). Under no circumstances will the interest rate be less than 5.00%. The agreement will continue in full force and effect until such time as the parties may agree in writing to terminate the agreement. There was no amount outstanding on this line of credit as of June 30, 2010.

TONY LA RUSSA'S ANIMAL RESCUE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE 9 – TEMPORARILY RESTRICTED NET ASSETS

At June 30, 2010, temporarily restricted net assets consisted of donations to be used for the following purposes:

	<u>Amount</u>
Veterinary Assistance for Needy Animals	\$ 18,617
Maddie's Fund Dog Adoption Grant	10,000
Bridges Scholarship	<u>5,257</u>
	<u>\$ 33,874</u>

NOTE 10 – NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions for the following programs by incurring expenses satisfying the restricted purposes or by occurrences of other events specified by donors during the year ended June 30, 2010, as follows:

	<u>Amount</u>
Maddie's Fund Dog Adoption Grant	\$ 30,000
Veterinary Assistance for Needy Animals	24,881
ASCPA Safer Training Grant	15,000
Scholarships for Children's Programs	12,565
Meet Your Match Program	9,000
Feral Cat Program	7,860
Bridges Scholarship	<u>4,744</u>
	<u>\$ 104,050</u>

TONY LA RUSSA'S ANIMAL RESCUE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE 11 – ENDOWMENT NET ASSETS AND POLICIES

Effective January 1, 2009, ARF adopted the FASB ASC *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act* (“UPMIFA”) that provides guidance on the net asset classification of donor restricted endowment funds for a not for profit organization that is subject to an enacted version of UPMIFA.

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 generally accepted accounting principles, net assets associated with permanently restricted funds are classified and reported based on the existence or absence of donor-imposed restrictions. The Board of Directors of ARF has full authority and plenary power to manage, invest and reinvest any principal of the fund and any increases or accumulations to it and any income from it; however, the Board has a fiduciary duty to maintain the principal of the fund. The Board's policy is to release annual interest, dividend and capital gain income, if any, for use in general operations.

Interpretation of Relevant Law

ARF has interpreted the UPMIFA 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 the absence of donor restrictions, the net appreciation on a donor-restricted endowment fund is spendable. ARF's donors have not placed restrictions on the use of the investment income or net appreciation resulting from the donor-restricted endowment funds.

TONY LA RUSSA'S ANIMAL RESCUE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE 11 – ENDOWMENT NET ASSETS AND POLICIES (Continued)

Return Objectives and Risk Parameters

ARF 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 also maintaining the purchasing 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.

Spending Policy

ARF has a spending rate policy (Note 2) of appropriating for distribution each year no more than 5% of the average annual fair value of the investment balance of the endowment funds. 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 the 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.

At June 30, 2010, endowment net assets are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-Restricted Endowment Funds	<u>\$ 66,162</u>	<u>\$ -</u>	<u>\$ 1,612,549</u>	<u>\$ 1,678,711</u>

TONY LA RUSSA'S ANIMAL RESCUE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE 11 – ENDOWMENT NET ASSETS AND POLICIES (Continued)

The changes in endowment net assets during the year ended June 30, 2010 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment Net Assets, July 1, 2009	\$ (132,055)	\$ -	\$ 1,612,549	\$ 1,480,494
Interest and Dividends	45,901	-	-	45,901
Net Realized and Unrealized Gains on Investments	159,122	-	-	159,122
Investment Fees	<u>(6,806)</u>	<u>-</u>	<u>-</u>	<u>(6,806)</u>
Endowment Net Assets, June 30, 2010	<u>\$ 66,162</u>	<u>\$ -</u>	<u>\$ 1,612,549</u>	<u>\$ 1,678,711</u>

NOTE 12 – COMMITMENTS

As of June 30, 2010, ARF has entered into various non-cancelable operating agreements for the lease of various pieces of office equipment with expiration dates between January 2011 and November 2013.

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, 2013. Under 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. Rent expense paid under this lease totaled \$84,532 for the year ended June 30, 2010.

The total minimum future payments under the leases are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2011	\$ 102,300
2012	103,071
2013	103,071
2014	<u>40,774</u>
	<u>\$ 349,216</u>

TONY LA RUSSA'S ANIMAL RESCUE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE 13 – RETIREMENT PLAN

Under Section 403(b)(7) of the Internal Revenue Code of 1986, individual employees may establish a custodial agreement account for elective salary deferrals. The 403(b) defined contribution plan is based on compensation up to a specified limited amount. Available to all employees, six ARF employees made such election in the year ended June 30, 2010. ARF makes no employer contribution, but transfers such salary deferrals directly to the custodian on behalf of the participants.

NOTE 14 – SUBSEQUENT EVENTS

On July 1, 2010, ARF received a pledge from a certain donor Foundation in the amount of \$250,000, payable \$50,000 each in the next 5 years, beginning July 1, 2010.

ARF has evaluated subsequent events through October 15, 2010, the date the financial statements were available to be issued.