

TONY LA RUSSA'S ANIMAL RESCUE FOUNDATION

(A California Not-For-Profit Corporation)

FINANCIAL STATEMENTS

JUNE 30, 2011 AND JUNE 30, 2010

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

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## Independent Auditors' Report

The Board of Directors  
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, 2011 and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of ARF's management. Our responsibility is to express an opinion on these financial statements based on our audit. The comparative totals for June 30, 2010 are derived from financial statements that were audited by other auditors whose report dated October 15, 2010 expressed an unqualified opinion on those statements.

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 statement 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, 2011 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.

*RINA accountancy corporation*

Certified Public Accountants

San Francisco, California  
November 1, 2011

# TONY LA RUSSA'S ANIMAL RESCUE FOUNDATION

## STATEMENT OF FINANCIAL POSITION (With summarized financial information as of June 30, 2010)

<u>ASSETS</u>	June 30, 2011				June 30, 2010
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Comparative Totals
<b>CURRENT:</b>					
Cash and cash equivalents	\$ 1,763,644	\$ 71,378	\$ -	\$ 1,835,022	\$ 3,133,085
Accounts receivable, net	29,727	-	-	29,727	88,214
Contributions receivable, net (note 8)	48,426	-	-	48,426	-
Inventory, net (note 5)	111,081	-	-	111,081	102,170
Prepaid expenses	48,577	-	-	48,577	62,777
<b>TOTAL CURRENT ASSETS</b>	<b>2,001,455</b>	<b>71,378</b>	<b>-</b>	<b>2,072,833</b>	<b>3,386,246</b>
<b>OTHER:</b>					
Investments (note 6)	3,642,390	199,960	1,612,549	5,454,899	4,170,947
Contributions receivable, net (note 8)	92,328	-	-	92,328	-
Property and equipment, net (note 9)	14,660,473	-	-	14,660,473	12,461,474
Deposits	-	-	-	-	125,000
	<b>\$ 20,396,646</b>	<b>\$ 271,338</b>	<b>\$ 1,612,549</b>	<b>\$ 22,280,533</b>	<b>\$ 20,143,667</b>
<b><u>LIABILITIES AND NET ASSETS</u></b>					
<b>CURRENT:</b>					
Accounts and other payables	\$ 168,694	\$ -	\$ -	\$ 168,694	\$ 222,044
Accrued expenses	114,446	-	-	114,446	-
Deferred revenue	50,525	-	-	50,525	136,850
<b>TOTAL CURRENT LIABILITIES</b>	<b>333,665</b>	<b>-</b>	<b>-</b>	<b>333,665</b>	<b>358,894</b>
<b>NET ASSETS (notes 7 and 11)</b>	<b>20,062,981</b>	<b>271,338</b>	<b>1,612,549</b>	<b>21,946,868</b>	<b>19,784,773</b>
	<b>\$ 20,396,646</b>	<b>\$ 271,338</b>	<b>\$ 1,612,549</b>	<b>\$ 22,280,533</b>	<b>\$ 20,143,667</b>

See notes to financial statements.

# TONY LA RUSSA'S ANIMAL RESCUE FOUNDATION

## STATEMENT OF ACTIVITIES

(With summarized financial information for the year ended June 30, 2010)

	<u>Year Ended June 30, 2011</u>			Year Ended June 30, 2010 Comparative Totals	
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>		<u>Total</u>
<b>SUPPORT AND REVENUE:</b>					
Contributions	\$ 3,111,339	\$ 527,635	\$ -	\$ 3,638,974	\$ 4,335,807
Special events; net of expenses of \$410,166	737,031	-	-	737,031	965,691
Corporate sponsorship	475,000	-	-	475,000	716,935
Fees	807,279	-	-	807,279	469,679
Retail sales, net of discounts of \$3,448	471,411	-	-	471,411	326,300
Net assets released from restriction (note 12)	536,429	(536,429)	-	-	-
<b>TOTAL SUPPORT AND REVENUE</b>	<u>6,138,489</u>	<u>(8,794)</u>	<u>-</u>	<u>6,129,695</u>	<u>6,814,412</u>
<b>OPERATING EXPENSES:</b>					
Program services	4,302,760	-	-	4,302,760	4,086,677
Support services	196,774	-	-	196,774	243,269
Fundraising expenses	223,976	-	-	223,976	207,874
<b>TOTAL OPERATING EXPENSES</b>	<u>4,723,510</u>	<u>-</u>	<u>-</u>	<u>4,723,510</u>	<u>4,537,820</u>
<b>EXCESS OF SUPPORT AND REVENUE OVER OPERATING EXPENSES</b>	<b>1,414,979</b>	<b>(8,794)</b>	<b>-</b>	<b>1,406,185</b>	<b>2,276,592</b>
<b>OTHER CHANGES:</b>					
Investment return increased by the portion of net appreciation in fair value of endowment fund designated for current operations (note 6)	509,652	246,258	-	755,910	376,486
<b>INCREASE IN NET ASSETS</b>	<b>1,924,631</b>	<b>237,464</b>	<b>-</b>	<b>2,162,095</b>	<b>2,653,078</b>
<b>NET ASSETS, beginning of year</b>	<u>18,138,350</u>	<u>33,874</u>	<u>1,612,549</u>	<u>19,784,773</u>	<u>17,131,695</u>
<b>NET ASSETS, end of year</b>	<u>\$ 20,062,981</u>	<u>\$ 271,338</u>	<u>\$ 1,612,549</u>	<u>\$ 21,946,868</u>	<u>\$ 19,784,773</u>

See notes to financial statements.

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

**STATEMENT OF FUNCTIONAL EXPENSES**

**(With summarized financial information for the year ended June 30, 2010)**

**YEAR ENDED JUNE 30, 2011**

	Program Services							Support Services		Year Ended June 30, 2010 Comparative Totals	
	Animal Care	Adoptions	Training	People Connect	Community Outreach	Veterinary Clinic	Total Program Services	Fundraising	Supporting Services		Total Expenses
Salaries	\$ 818,395	\$ 243,168	\$ 62,684	\$ 274,126	\$ 43,213	\$ 591,250	\$ 2,032,836	\$ 117,110	\$ 76,541	\$ 2,226,487	\$ 2,022,921
Employee benefits	113,609	27,453	3,913	36,909	3,585	76,701	262,170	9,950	5,483	277,603	217,197
Payroll tax	75,724	20,605	5,094	24,138	3,057	53,745	182,363	8,908	5,885	197,156	176,024
Total payroll related expense	1,007,728	291,226	71,691	335,173	49,855	721,696	2,477,369	135,968	87,909	2,701,246	2,416,142
Animal care and supplies	163,479	-	125	-	32,010	207,702	403,316	-	-	403,316	385,730
Depreciation (note 9)	89,846	87,936	39,607	42,561	552	42,373	302,875	6,692	18,861	328,428	398,091
Occupancy expenses	57,089	53,868	23,811	19,004	-	132,487	286,259	9,370	12,414	308,043	309,973
Printing and publications	89,959	43,805	5,233	18,562	-	82,435	239,994	11,994	5,852	257,840	252,625
Professional services	54,121	31,796	80,450	3,722	64	60,075	230,228	18,288	8,478	256,994	234,613
Advertising and promotion	20,554	12,350	1,146	1,244	400	21,886	57,580	17,204	27,109	101,893	112,567
Cost of goods sold	35,063	17,532	2,204	-	-	35,804	90,603	1,267	-	91,870	142,471
Other expenses	10,710	10,534	3,015	5,645	473	13,518	43,895	10,314	15,224	69,433	66,523
Equipment rental, repairs and maintenance	21,333	2,884	1,228	4,617	950	16,998	48,010	5,086	5,991	59,087	40,191
Supplies	9,304	2,953	701	21,244	3,598	5,039	42,839	2,338	3,089	48,266	55,942
Insurance	10,779	13,752	5,108	3,732	1,202	4,405	38,978	1,063	1,320	41,361	46,625
Postage	8,099	1,223	259	1,558	-	3,674	14,813	3,443	4,166	22,422	30,995
Travel and transportation	8,397	2,527	-	1,458	3,870	667	16,919	86	2,960	19,965	22,028
Conferences and education	60	-	-	3,185	-	646	3,891	863	3,401	8,155	19,413
Bad debts	-	-	-	-	-	5,191	5,191	-	-	5,191	3,891
Total expenses	\$ 1,586,521	\$ 572,386	\$ 234,578	\$ 461,705	\$ 92,974	\$ 1,354,596	\$ 4,302,760	\$ 223,976	\$ 196,774	\$ 4,723,510	\$ 4,537,820

See notes to financial statements.

# TONY LA RUSSA'S ANIMAL RESCUE FOUNDATION

## STATEMENT OF CASH FLOWS

	Year Ended June 30, 2011	Year Ended June 30, 2010
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Increase in net assets	\$ 2,162,095	\$ 2,653,078
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Net unrealized gains on investments	\$ (322,101)	\$ (264,967)
(Gain) loss on sale of investments	(334,253)	9,098
Depreciation	328,428	398,090
Allowance for doubtful accounts	(3,450)	3,891
Provision for inventory write-downs	(732)	4,649
(Increase) decrease in assets:		
Accounts receivable	(78,817)	(55,747)
Inventory	(8,180)	(4,067)
Prepays	14,200	(2,984)
Increase (decrease) in liabilities:		
Accounts payable	48,747	(13,708)
Accrued expenses	12,349	-
Deferred revenue	(86,325)	45,756
	(430,134)	120,011
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>1,731,961</b>	<b>2,773,089</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of investments	(627,598)	(1,783,622)
Property and equipment purchases	(27,426)	(75,270)
Purchase of land	(2,375,000)	(125,000)
	(3,030,024)	(1,983,892)
<b>NET CASH USED BY INVESTING ACTIVITIES</b>	<b>(3,030,024)</b>	<b>(1,983,892)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	<b>-</b>	<b>-</b>
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(1,298,063)</b>	<b>789,197</b>
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	<b>3,133,085</b>	<b>2,343,888</b>
<b>CASH AND CASH EQUIVALENTS, end of year</b>	<b>\$ 1,835,022</b>	<b>\$ 3,133,085</b>

See notes to financial statements.

# TONY LA RUSSA'S ANIMAL RESCUE FOUNDATION

## NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2011 AND JUNE 30, 2010

### **Note 1. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

#### Nature of business:

Tony La Russa's Animal Rescue Foundation (ARF) was incorporated 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.

#### Financial statement presentation:

ARF prepares its financial statements following professional accounting standards 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 management 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 \$3,704 the year ended June 30, 2011. 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, 2011 AND JUNE 30, 2010

### Note 1. NATURE OF BUSINESS AND 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 \$1,000 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 and changes in net assets.

##### 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 and changes in net assets.

# TONY LA RUSSA'S ANIMAL RESCUE FOUNDATION

## NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2011 AND JUNE 30, 2010

### Note 1. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

(Continued):

Investments (continued):

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.

Professional accounting standards 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:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data, by correlation or other means.

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.

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.

# TONY LA RUSSA'S ANIMAL RESCUE FOUNDATION

## NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2011 AND JUNE 30, 2010

### Note 1. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

#### (Continued):

#### 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.

#### 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 changes in net assets. 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 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 \$634,136 and \$752,529 for the years ended June 30, 2011 and June 30, 2010, respectively, of which \$410,166 and \$544,655, respectively, related to special events. The balances of \$223,970 and \$207,874 at June 30, 2011 and June 30, 2010, respectively, have 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 \$101,893 and \$112,567 for the years ended June 30, 2011 and June 30, 2010, 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, 2011, 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. Income tax returns for the year prior to 2007 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.

#### Subsequent event:

Management has evaluated subsequent events through November 1, 2011, the date which the financial statements were available for issue. No significant events were identified that require any additional disclosure.

# TONY LA RUSSA'S ANIMAL RESCUE FOUNDATION

## NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2011 AND JUNE 30, 2010

### **Note 2. NATURE OF ESTIMATES:**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 years ended June 30, 2011 and June 30, 2010, one donor accounted for 10% and 26% of the total donations, respectively.

### **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, 2011 and June 30, 2010, volunteers donated approximately 83,804 and 86,647 hours to ARF activities, respectively. These hours included approximately 22,025 and 30,600 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, 2011 and June 30, 2010 were reported as contributions of \$321,600 and \$422,211, respectively, with offsetting assets and expenses recorded in the corresponding categories as follows: program services \$152,761 and \$130,918, fund raising \$167,790 and \$282,197, and supporting services \$1,049 and \$3,095 for the years ended June 30, 2011 and June 30, 2010, respectively.

### **Note 5. INVENTORY:**

Inventory consisted of the following at June 30:

	June 30,	
	2011	2010
Donated sports memorabilia, net of allowance for write-down of \$79,302 in 2011 and \$80,033 in 2010	\$ 79,302	\$ 80,034
ARF wear garments	5,008	5,807
Miscellaneous items	<u>26,771</u>	<u>16,329</u>
	<u>\$ 111,081</u>	<u>\$ 102,170</u>

# TONY LA RUSSA'S ANIMAL RESCUE FOUNDATION

## NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2011 AND JUNE 30, 2010

**Note 6. FAIR VALUE MEASUREMENTS:**

The following tables set forth by level, the fair value hierarchy, ARF's assets at fair value as of June 30, 2011 and June 30, 2010:

### Assets at Fair Value as of June 30, 2011

	Quoted Prices In Active Markets (Level 1)	Cost	Unrealized Gain/(Loss)
Equity securities:			
Total Stock Market Index	\$ 1,128,697	\$ 1,049,082	\$ 79,615
Total International Stock Index	957,207	896,243	60,964
US Growth Fund Admiral	398,062	367,661	30,401
Windsor II Fund Adm	393,942	373,410	20,532
Explorer Fund Investor	172,350	148,692	23,658
Strategic Equity Fund	173,254	153,190	20,064
Bonds:			
Total Bond Market Index Adm	1,054,379	1,030,054	24,325
Inter-Term Invest-Gr Adm	632,010	617,717	14,293
Short-Term Invest-Gr Adm	417,840	414,138	3,702
Money Market Funds	<u>127,158</u>	<u>127,158</u>	<u>-</u>
Total assets at fair value	<u>\$ 5,454,899</u>	<u>\$ 5,177,345</u>	<u>\$ 277,554</u>

### Assets at Fair Value as of June 30, 2010

	Quoted Prices In Active Markets (Level 1)	Cost	Unrealized Gain/(Loss)
Equity securities:			
Total Stock Market Index	\$ 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)
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
Money Market Funds	<u>-</u>	<u>-</u>	<u>-</u>
Total assets at fair value	<u>\$ 4,170,947</u>	<u>\$ 4,215,383</u>	<u>\$ (44,436)</u>

# TONY LA RUSSA'S ANIMAL RESCUE FOUNDATION

## NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2011 AND JUNE 30, 2010

**Note 6. FAIR VALUE MEASUREMENTS (Continued):**

The following schedule summarizes the net investment return for the years ended June 30, 2011 and June 30, 2010:

	June 30, 2011			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Unrealized gains	\$ 122,141	\$ 199,960	\$ -	\$ 322,101
Realized gains	334,253	-	-	334,253
Dividend income	46,075	46,298	-	92,373
Interest income	<u>7,183</u>	<u>-</u>	<u>-</u>	<u>7,183</u>
	509,652	246,258	-	755,910
Less investment fees	<u>15,418</u>	<u>-</u>	<u>-</u>	<u>15,418</u>
Net investment return	<u>\$ 494,234</u>	<u>\$ 246,258</u>	<u>\$ -</u>	<u>\$ 740,492</u>
	June 30, 2010			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Unrealized gains	\$ 264,967	\$ -	\$ -	\$ 264,967
Realized losses	(9,098)	-	-	(9,098)
Dividend income	61,683	45,901	-	107,584
Interest income	<u>13,033</u>	<u>-</u>	<u>-</u>	<u>13,033</u>
	330,585	45,901	-	376,486
Less investment fees	<u>14,222</u>	<u>-</u>	<u>-</u>	<u>14,222</u>
Net investment return	<u>\$ 316,363</u>	<u>\$ 45,901</u>	<u>\$ -</u>	<u>\$ 362,264</u>

## TONY LA RUSSA'S ANIMAL RESCUE FOUNDATION

### NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2011 AND JUNE 30, 2010

**Note 7. 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 professional accounting standards, 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, 2011	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted endowment	<u>\$ 199,860</u>	<u>\$ 199,960</u>	<u>\$ 1,612,549</u>	<u>\$ 2,012,369</u>
June 30, 2010	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted endowment	<u>\$ 66,162</u>	<u>\$ -</u>	<u>\$ 1,612,549</u>	<u>\$ 1,678,711</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. The Board's policy is to release annual interest and dividends, if any, for use on animal care, adoptions and the veterinary clinic.

Net changes in endowment funds were as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Balance, 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
Appropriations	45,901	(45,901)	-	-
Investment fees	<u>(6,806)</u>	<u>-</u>	<u>-</u>	<u>(6,806)</u>
Balance, June 30, 2010	66,162	-	1,612,549	1,678,711
Interest and dividends	-	46,298	-	46,298
Net realized and unrealized gains on investments	94,091	199,960	-	294,051
Appropriations	46,298	(46,298)	-	-
Investment fees	<u>(6,691)</u>	<u>-</u>	<u>-</u>	<u>(6,691)</u>
Balance, June 30, 2011	<u>\$ 199,860</u>	<u>\$ 199,960</u>	<u>\$ 1,612,549</u>	<u>\$ 2,012,369</u>

# TONY LA RUSSA'S ANIMAL RESCUE FOUNDATION

## NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2011 AND JUNE 30, 2010

### Note 7. ENDOWMENTS (Continued):

#### Investment policy:

ARF has interpreted the Uniform Prudent Management of Institutional Funds Act, 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. ARF's donors have indicated that the use of the investment income or net appreciation resulting from the donor-restricted endowment funds should be used on animal care, adoptions and the veterinary clinic

#### Return objectives and risk parameters:

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.

#### Spending policy:

The Board of Directors established a spending rate of 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 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.

# TONY LA RUSSA'S ANIMAL RESCUE FOUNDATION

## NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2011 AND JUNE 30, 2010

**Note 8. CONTRIBUTIONS RECEIVABLE:**

Contributions receivable is comprised of the following at June 30, 2011 and 2010:

	June 30,	
	2011	2010
Pledges receivable	\$ 150,000	\$ -
Less allowance for doubtful pledges	<u>(9,246)</u>	<u>-</u>
Balances	<u>\$ 140,754</u>	<u>\$ -</u>
Classified as:		
Less than one year	\$ 48,426	
One to five years	<u>92,328</u>	
	<u>\$ 140,754</u>	

**Note 9. PROPERTY AND EQUIPMENT:**

Property and equipment consists of the following at June 30, 2011 and June 30, 2010:

	2011	2010
Land	\$ 7,264,668	\$ 4,764,668
Buildings and improvements	9,599,263	9,594,383
Machinery and equipment	146,294	137,555
Vehicles	145,893	145,893
Furniture and fixtures	612,871	603,346
Leasehold improvements	<u>22,394</u>	<u>22,393</u>
Totals	17,791,383	15,268,238
Less accumulated depreciation and amortization	<u>3,130,910</u>	<u>2,806,764</u>
Property and equipment, net	<u>\$ 14,660,473</u>	<u>\$ 12,461,474</u>

Depreciation expense was \$328,428 and \$398,091 for the years ended June 30, 2011 and June 30, 2010

# TONY LA RUSSA'S ANIMAL RESCUE FOUNDATION

## NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2011 AND JUNE 30, 2010

**Note 10. LINE OF CREDIT:**

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, 2011). 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, 2011 and 2010. In August 2011, ARF closed the \$750,000 revolving line of credit with the bank and entered into a \$350,000 revolving line of credit with a different bank, which bears interest at the bank's prime rate plus .5%. Under no circumstances will the interest rate be less than 4.00%.

**Note 11. TEMPORARILY RESTRICTED NET ASSETS:**

Temporarily restricted net assets are available for the following purposes at June 30, 2011 and June 30, 2010:

	2011	2010
Hope fund	\$ 11,330	\$ 18,617
Bridges scholarship	11,998	5,257
Humane education fund	10,050	-
Endowment funds	199,960	-
Spay and neuter grant	38,000	-
Maddie's fund dog adoption grant	-	10,000
Total temporarily restricted net assets	\$ 271,338	\$ 33,874

**Note 12. NET ASSETS RELEASED FROM RESTRICTIONS:**

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes as follows at June 30, 2011 and June 30, 2010:

	2011	2010
Hope fund	\$ 19,123	\$ 24,881
Adoptions	73,500	30,000
Land purchase	250,000	-
Clinic expansion	140,000	-
Scholarships	3,258	17,309
Spay and neuter services	4,250	-
Endowment funds	46,298	45,901
ASCPA Safer training grant	-	15,000
Meet your match program	-	9,000
Feral cat program	-	7,860
Totals	\$ 536,429	\$ 199,253

**Note 13. RETIREMENT PLAN:**

ARF maintains a 403(b) plan for all qualified employees. ARF makes no employer contribution, but transfers such salary deferrals directly to the custodian on behalf of the participants.

# TONY LA RUSSA'S ANIMAL RESCUE FOUNDATION

## NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2011 AND JUNE 30, 2010

### Note 14. LEASE COMMITMENTS:

At June 30, 2011, ARF has entered into various non-cancelable operating agreements for the lease of various pieces of office equipment with expiration dates between September 2013 and July 2014.

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 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. Rent expense paid under this lease totaled \$86,135 and \$84,532 for the years ended June 30, 2011 and June 30, 2010.

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

Years Ending <u>June 30,</u>	
2012	\$ 111,393
2013	112,612
2014	43,825
2015	<u>39</u>
Total	<u>\$ 267,869</u>