
THE ANIMAL LEAGUE OF GREEN VALLEY

INDEPENDENT ACCOUNTANT'S REVIEW REPORT AND FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2013 AND 2012



THE ANIMAL LEAGUE OF GREEN VALLEY

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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

Board of Directors
The Animal League of Green Valley
Green Valley, Arizona

We have reviewed the accompanying statements of financial position of The Animal League of Green Valley (a nonprofit organization) as of December 31, 2013 and 2012, and the related statements of activities, functional expenses, and cash flows for the years then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of organization management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the reviews in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

Regier Carr & Monroe, L.L.P.

June 20, 2014
Tucson, Arizona

THE ANIMAL LEAGUE OF GREEN VALLEY

STATEMENTS OF FINANCIAL POSITION

December 31, 2013 and 2012

ASSETS		2013	2012
		<u>2013</u>	<u>2012</u>
CURRENT ASSETS			
Cash and cash equivalents	\$	317,798	\$ 1,072,485
Deposits in transit		-	6,653
Prepaid expenses		<u>4,579</u>	<u>4,896</u>
Total current assets		322,377	1,084,034
CASH - RESTRICTED		70,105	15,380
PROPERTY AND EQUIPMENT, NET		<u>2,907,623</u>	<u>1,623,228</u>
Total assets	\$	<u><u>3,300,105</u></u>	<u><u>\$ 2,722,642</u></u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts payable	\$	29,522	\$ 8,895
Current maturities, long-term debt		<u>42,982</u>	<u>-</u>
Total current liabilities		72,504	8,895
LONG-TERM DEBT			
Note payable, less current maturities		<u>274,982</u>	<u>-</u>
Total liabilities		<u>347,486</u>	<u>8,895</u>
NET ASSETS			
Unrestricted net assets		2,882,514	2,698,367
Temporarily restricted		<u>70,105</u>	<u>15,380</u>
Total net assets		<u>2,952,619</u>	<u>2,713,747</u>
Total liabilities and net assets	\$	<u><u>3,300,105</u></u>	<u><u>\$ 2,722,642</u></u>

*See Independent Accountant's Review Report
The Notes to Financial Statements are an integral part of these statements*

THE ANIMAL LEAGUE OF GREEN VALLEY

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2013

	Unrestricted	Temporarily Restricted	Total
REVENUES			
Contributions received	\$ 178,775	\$ 4,830	\$ 183,605
Fee income	59,536	-	59,536
Thrift shop/The Attic	478,537	-	478,537
Memorials	13,969	-	13,969
Estates	13,624	-	13,624
Fundraising	26,137	-	26,137
Grants	4,075	100,000	104,075
Membership dues	31,830	-	31,830
Interest income	1,161	-	1,161
In-kind salaries	176,000	-	176,000
Gain on sale of assets	5,539	-	5,539
Other income	3,010	-	3,010
Net assets released from restrictions	50,105	(50,105)	-
	<u>1,042,298</u>	<u>54,725</u>	<u>1,097,023</u>
PROGRAM/ACTIVITY COSTS			
Program services	722,971	-	722,971
General and administrative expenses	120,289	-	120,289
Fundraising expenses	14,891	-	14,891
	<u>858,151</u>	<u>-</u>	<u>858,151</u>
Change in net assets	184,147	54,725	238,872
NET ASSETS, BEGINNING OF YEAR	<u>2,698,367</u>	<u>15,380</u>	<u>2,713,747</u>
NET ASSETS, END OF YEAR	<u><u>\$ 2,882,514</u></u>	<u><u>\$ 70,105</u></u>	<u><u>\$ 2,952,619</u></u>

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THE ANIMAL LEAGUE OF GREEN VALLEY

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2012

	Unrestricted	Temporarily Restricted	Total
REVENUES			
Contributions received	\$ 142,666	\$ 19,128	\$ 161,794
Fee income	62,597	-	62,597
Thrift shop/The Attic	422,082	-	422,082
Memorials	17,280	-	17,280
Estates	145,630	-	145,630
Fundraising	19,468	-	19,468
Grants	8,500	13,000	21,500
Membership dues	31,795	-	31,795
Interest income	2,898	-	2,898
In-kind salaries	181,000	-	181,000
Other income	4,303	-	4,303
Gain on sale of assets	-	-	-
Net assets released from restrictions	27,374	(27,374)	-
	<u>1,065,593</u>	<u>4,754</u>	<u>1,070,347</u>
PROGRAM/ACTIVITY COSTS			
Program services	536,363	-	536,363
General and administrative expenses	101,642	-	101,642
Fundraising expenses	11,493	-	11,493
	<u>649,498</u>	<u>-</u>	<u>649,498</u>
Change in net assets	416,095	4,754	420,849
NET ASSETS, BEGINNING OF YEAR	<u>2,282,272</u>	<u>10,626</u>	<u>2,292,898</u>
NET ASSETS, END OF YEAR	<u><u>\$ 2,698,367</u></u>	<u><u>\$ 15,380</u></u>	<u><u>\$ 2,713,747</u></u>

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THE ANIMAL LEAGUE OF GREEN VALLEY

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2013

	Program Services	General and Administrative	Fundraising	Total
Advertising	\$ 9,821	\$ 3,274	\$ -	\$ 13,095
Animal clinics	16,720	-	-	16,720
Animal food	36,225	-	-	36,225
Animal medical	241,136	-	-	241,136
Animal programs	32,471	-	-	32,471
Cleaning expenses	14,684	4,894	-	19,578
Delivery expense	23,619	-	-	23,619
Depreciation expense	58,864	19,621	-	78,485
Fundraising expense	-	-	10,001	10,001
Dog training	2,145	-	-	2,145
In-kind salaries expense	132,000	39,110	4,890	176,000
Insurance	7,490	2,497	-	9,987
Interest	3,387	1,129	-	4,516
Materials and supplies	37,151	12,383	-	49,534
Meeting	2,576	858	-	3,434
Miscellaneous	6,334	2,111	-	8,445
Pet grooming	23,335	-	-	23,335
Postage	1,496	499	-	1,995
Printing and photo expense	19,599	6,533	-	26,132
Professional fees	-	9,409	-	9,409
Rent expense	1,575	525	-	2,100
Repairs and maintenance	8,606	2,868	-	11,474
Storage	713	238	-	951
Telephone	4,156	1,385	-	5,541
Volunteer appreciation	7,309	2,436	-	9,745
Utilities	31,559	10,519	-	42,078
Total	<u>\$ 722,971</u>	<u>\$ 120,289</u>	<u>\$ 14,891</u>	<u>\$ 858,151</u>

*See Independent Accountant's Review Report
The Notes to Financial Statements are an integral part of these statements*

THE ANIMAL LEAGUE OF GREEN VALLEY

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2012

	Program Services	General and Administrative	Fundraising	Total
Advertising	\$ 7,423	\$ 2,474	\$ -	\$ 9,897
Animal clinics	22,818	-	-	22,818
Animal food	27,681	-	-	27,681
Animal medical	146,659	-	-	146,659
Animal programs	24,173	-	-	24,173
Cleaning expenses	12,150	4,050	-	16,200
Delivery expense	8,899	-	-	8,899
Depreciation expense	40,019	13,339	-	53,358
Fundraising expense	-	-	6,603	6,603
Dog training	5,059	-	-	5,059
In-kind salaries expense	135,750	40,360	4,890	181,000
Insurance	2,687	896	-	3,583
Materials and supplies	23,596	7,865	-	31,461
Meeting	1,901	634	-	2,535
Miscellaneous	1,710	570	-	2,280
Pet grooming	6,004	-	-	6,004
Postage	1,253	418	-	1,671
Printing and photo expense	17,815	5,938	-	23,753
Professional fees	-	8,177	-	8,177
Rent expense	2,468	822	-	3,290
Repairs and maintenance	11,391	3,797	-	15,188
Storage	634	211	-	845
Telephone	3,365	1,121	-	4,486
Volunteer appreciation	7,865	2,622	-	10,487
Utilities	25,043	8,348	-	33,391
	<u>\$ 536,363</u>	<u>\$ 101,642</u>	<u>\$ 11,493</u>	<u>\$ 649,498</u>
Total				

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The Notes to Financial Statements are an integral part of these statements

THE ANIMAL LEAGUE OF GREEN VALLEY

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2013 and 2012

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 238,872	\$ 420,849
Adjustments to reconcile net assets to net cash provided (used) by operating activities increase (decrease)		
Depreciation	78,485	53,358
Gain on sale of assets	(5,539)	-
Increase (decrease) in cash resulting from changes in		
Deposits in transit	-	26,999
Prepaid expenses	317	(1,760)
Accounts payable	20,627	6,891
Restricted cash	(54,725)	(4,754)
Net cash provided by operating activities	<u>278,037</u>	<u>501,583</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(1,360,266)	(121,305)
Proceeds sale of property	<u>9,578</u>	<u>-</u>
Net cash used by investing activities	<u>(1,350,688)</u>	<u>(121,305)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds long term debt	345,700	-
Payments on long term debt	<u>(27,736)</u>	<u>-</u>
Net cash flow provided by financing activities	<u>317,964</u>	<u>-</u>
Net increase in cash and cash equivalents	(754,687)	380,278
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>1,072,485</u>	<u>692,207</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 317,798</u></u>	<u><u>\$ 1,072,485</u></u>
SUPPLEMENTAL INFORMATION		
In-kind services	<u><u>\$ 176,000</u></u>	<u><u>\$ 181,000</u></u>
Cash paid for interest	<u><u>\$ 4,516</u></u>	<u><u>\$ -</u></u>

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THE ANIMAL LEAGUE OF GREEN VALLEY

NOTES TO FINANCIAL STATEMENTS

December 31, 2013 and 2012

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

The Animal League of Green Valley (the “League”) was incorporated under the laws of the State of Arizona on April 25, 1984 to provide animal adoption opportunities, community assistance for lost and found animals, and to provide life care for pets surviving their owners. The League applied for and was granted tax exempt status on October 15, 1985.

Basis of Presentation

The financial statements are presented in accordance with generally accepted accounting principles. In accordance with accounting codification standards, unrestricted, temporarily restricted, and permanently restricted net assets are presented separately.

Unrestricted net assets represent those assets available to the League for normal operations.

Temporarily restricted net assets carry donor-imposed restrictions that limit their use. At December 31, 2013, \$70,105 represents temporarily restricted net assets for the life care of animals and asset additions (\$15,380 at 2012).

Permanently restricted net assets also possess a donor-imposed restriction that limits their use to investment in perpetuity to provide a permanent source of income for League operations. No permanently restricted net assets existed at December 31, 2013 and 2012.

Revenue Recognition

All contributions are considered to be available for the general programs of the League unless specifically restricted by the donor. The League reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Donor-restricted contributions are recorded in the temporarily restricted class for restrictions expiring during this fiscal year and then reclassified to the unrestricted class. The provisions for expiration of restrictions on temporarily restricted net assets were adopted prospectively.

(continued)

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1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Donated Services

Amounts are reported in the financial statements for voluntary donations of services when those services create or enhance non-financial assets or require specialized skills provided by individuals possessing those skills and which would be typically purchased if not provided by donation. For the year ended December 31, 2013, in-kind revenue and expense totaled \$176,000 (\$181,000 for 2012).

Property and Equipment

The League capitalizes all expenditures in excess of \$1,000 for property and equipment at cost. Contributed property and equipment are recorded at the estimated fair value at the date of donation. Certain donated services are capitalized as improvements when those services enhance the value of assets. Depreciation is provided using the straight-line method with a full-month convention over the estimated useful lives of the respective assets. Depreciation expense for the year ended December 31, 2013 was \$78,485 (\$53,358 for 2012). Upon sale or retirement of depreciable properties, the related cost and accumulated depreciation are removed from the accounts. All gains or losses are reflected in revenue in the year of disposition. Routine repairs and maintenance are expensed as incurred.

Income Taxes

Based upon information supplied to the Internal Revenue Service, the League is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

The League adopted FASB interpretation No. 48 in 2009. Per generally accepted accounting principles, the principles set a “more likely than not” criterion for recognizing the tax benefits of uncertain tax positions; it established a measurement criteria for tax benefits; and it established certain new disclosure requirements. No cumulative effect adjustment was required at the date of adoption. The League believes that its income tax filing positions and deductions will be sustained upon examination and, accordingly, have not recorded any reserves or related accruals for interest and penalties at December 31, 2013 for uncertain income tax positions. Income tax related interest and penalties are reported in general and administrative expenses if and when incurred. The accompanying financial statements do not include any interest or penalties related to income taxes. No income tax examinations are currently underway or anticipated. The statute of limitations is three years for federal income tax purposes and four years for the State of Arizona. Management’s opinion is that no uncertain income tax positions pursuant to FIN 48 have been taken and no adjustments have been recorded for potential related tax liabilities.

Cash and Cash Equivalents

Cash and cash equivalents include all unrestricted cash balances and highly liquid investments with an original maturity of three months or less.

(continued)

See Independent Accountant’s Review Report

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Advertising Costs

Costs incurred for producing and communicating non-direct advertising are expensed when incurred. Costs incurred for direct response advertising is capitalized and amortized over its estimated useful life. No advertising costs were capitalized at December 31, 2013 and 2012. Total advertising costs for the year ended December 31, 2013 were \$13,095 (\$9,897 for 2012).

Use of Estimates

The preparation of financial statements in conformity with United States generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of contributions, revenues and gains and expenses during the reporting period. Actual results could differ from those estimates.

Inventory

The League carries inventory for the thrift store, The Attic, at no value. All items in the thrift store are donated and are handled by volunteers, resulting in no cost basis. The League has no repair facility, so no costs are incurred to bring the items to saleable condition. A fair market value is not reported since donated items do not have a readily available market or comparable price structure. Furthermore, items not sold within a short time are discarded as having no value.

Functional Allocation of Expenses

The costs of providing the various programs and other activities are summarized on a functional basis. Accordingly, costs are allocated among the programs and supporting services benefited.

2. CONCENTRATIONS OF CREDIT RISK

Cash in Banks

Balances on deposit are insured by the Federal Deposit Insurance Corporation ("FDIC") up to specified limits. Balances in excess of such limits are uninsured. At December 31, 2013 and 2012, the League had approximately \$16,000 of deposits in excess of federally insured limits (\$329,000 at December 31, 2012).

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2. CONCENTRATIONS OF CREDIT RISK (continued)

Revenue

The League is dependent on the sales from The Attic thrift shop. The Attic revenues made up 44% of the League's revenues for 2013 (39% for 2012).

3. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	<u>2013</u>	<u>2012</u>
Land	\$ 111,692	\$ 111,692
Buildings and improvements	3,092,295	1,573,823
Furniture	4,498	3,184
Equipment	49,565	51,447
Computer hardware	12,298	9,533
Vehicle	24,121	16,242
Construction-in-process*	<u>-</u>	<u>182,017</u>
Total	3,294,469	1,947,938
Less accumulated depreciation	<u>(386,846)</u>	<u>(324,710)</u>
Net property assets	<u>\$ 2,907,623</u>	<u>\$ 1,623,228</u>

*Construction-in-process consists of the fifth phase of facility construction. This phase consists of costs related to expansion of the current facility.

4. SIGNIFICANT ESTIMATES

The functional allocation of expenditures is a significant estimate based on salaries and estimated levels of effort.

Management's estimate of the useful lives of the fixed assets acquired was based on management's experience with similar assets.

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4. SIGNIFICANT ESTIMATES (continued)

The League is 100% volunteer run. Donated in-kind salaries that require specialized skills provided by individuals possessing those skills and which would be typically purchased if not provided by donation and income have been reported at an estimated value. The amounts reported represent a significant estimate.

5. CONSTRUCTION LOAN

In November 2012, the League obtained a construction loan from a financial institution in order to partially finance the construction of the fifth phase of the animal shelter. The loan is in the amount of \$450,000 with a variable interest rate based on the LIBOR Index plus 3.5% (rate at December 31, 2012 was 3.750%). At December 31, 2013, construction draws totaled \$345,700 and the loan was reclassified as a fixed-term loan maturity August 1, 2023. Total payments were \$27,736 for the year. The balance at December 31, 2013 was \$317,964. The loan has no pre-payment penalties and it is the intention of the League to pay the loan off before the due date. At December 31, 2012 no construction draws had been made, as such no note payable is reflected in the accompanying financial statements for 2012. The note is secured by real property.

Future minimum payments are as follow:

<u>December 31,</u>	
2014	\$ 42,982
2015	44,622
2016	46,325
2017	48,092
2018	49,927
2019 and thereafter	<u>86,016</u>
Total	<u>\$ 317,964</u>

Total interest expense incurred was \$4,615 for 2013 (none for 2012).

6. SUBSEQUENT EVENTS

Management has evaluated subsequent events through June 20, 2014, the date the financial statements were available to be issued.

See Independent Accountant's Review Report