
THE ANIMAL LEAGUE OF GREEN VALLEY

INDEPENDENT ACCOUNTANT'S REVIEW REPORT AND FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2016 AND 2015

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 financial statements of The Animal League of Green Valley (a nonprofit organization), which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of 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'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.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

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



June 2, 2017
Tucson, Arizona

THE ANIMAL LEAGUE OF GREEN VALLEY

STATEMENTS OF FINANCIAL POSITION

December 31, 2016 and 2015

ASSETS

	2016	2015
CURRENT ASSETS		
Cash and cash equivalents	\$ 925,625	\$ 999,385
Accounts receivable	15,720	17,238
Prepaid expenses	7,459	8,444
Total current assets	948,804	1,025,067
CASH - RESTRICTED	17,387	17,831
PROPERTY AND EQUIPMENT, NET	2,751,319	2,768,414
Total assets	<u>\$ 3,717,510</u>	<u>\$ 3,811,312</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable	\$ 78,258	\$ 29,341
Total current liabilities	78,258	29,341
NET ASSETS		
Unrestricted net assets	3,330,904	3,436,600
Board designated	300,000	300,000
Total unrestricted net assets	3,630,904	3,736,600
Temporarily restricted	8,348	45,371
Total net assets	3,639,252	3,781,971
Total liabilities and net assets	<u>\$ 3,717,510</u>	<u>\$ 3,811,312</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, 2016

	Unrestricted	Temporarily Restricted	Total
REVENUES			
Contributions received	\$ 271,982	\$ -	\$ 271,982
Fee income	56,738	-	56,738
Pima County contract	58,128	-	58,128
Thrift shop/The Attic	447,062	-	447,062
Memorials	22,980	-	22,980
Estates	265,453	-	265,453
Fundraising	44,014	-	44,014
Grants	12,000	10,000	22,000
Interest income	855	56	911
In-kind salaries	203,290	-	203,290
Other income	1,936	-	1,936
Loss on disposal of assets	(429)	-	(429)
Net assets released from restrictions	47,079	(47,079)	-
	<u>1,431,088</u>	<u>(37,023)</u>	<u>1,394,065</u>
Total revenues			
PROGRAM/ACTIVITY COSTS			
Program services	1,353,377	-	1,353,377
General and administrative expenses	160,377	-	160,377
Fundraising expenses	23,030	-	23,030
	<u>1,536,784</u>	<u>-</u>	<u>1,536,784</u>
Total program/activity costs			
Change in net assets	(105,696)	(37,023)	(142,719)
NET ASSETS, BEGINNING OF YEAR	<u>3,736,600</u>	<u>45,371</u>	<u>3,781,971</u>
NET ASSETS, END OF YEAR	<u><u>\$ 3,630,904</u></u>	<u><u>\$ 8,348</u></u>	<u><u>\$ 3,639,252</u></u>

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THE ANIMAL LEAGUE OF GREEN VALLEY

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2015

	Unrestricted	Temporarily Restricted	Total
REVENUES			
Contributions received	\$ 288,819	\$ -	\$ 288,819
Fee income	58,612	-	58,612
Pima County contract	74,558	-	74,558
Thrift shop/The Attic	442,100	-	442,100
Memorials	17,711	-	17,711
Estates	450,115	-	450,115
Fundraising	50,055	-	50,055
Grants	15,000	10,000	25,000
Membership dues	15,140	-	15,140
Interest income	929	91	1,020
In-kind salaries	185,550	-	185,550
Other income	4,003	-	4,003
Net assets released from restrictions	51,008	(51,008)	-
	<u>1,653,600</u>	<u>(40,917)</u>	<u>1,612,683</u>
Total revenues			
PROGRAM/ACTIVITY COSTS			
Program services	1,133,998	-	1,133,998
General and administrative expenses	150,406	-	150,406
Fundraising expenses	24,013	-	24,013
	<u>1,308,417</u>	<u>-</u>	<u>1,308,417</u>
Total program/activity costs			
Change in net assets	345,183	(40,917)	304,266
NET ASSETS, BEGINNING OF YEAR	<u>3,391,417</u>	<u>86,288</u>	<u>3,477,705</u>
NET ASSETS, END OF YEAR	<u><u>\$ 3,736,600</u></u>	<u><u>\$ 45,371</u></u>	<u><u>\$ 3,781,971</u></u>

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THE ANIMAL LEAGUE OF GREEN VALLEY

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2016

	Program Services	General and Administrative	Fundraising	Total
Advertising	\$ 15,683	\$ 5,228	\$ -	\$ 20,911
Animal clinics	13,483	-	-	13,483
Animal food	41,071	-	-	41,071
Animal medical	610,359	-	-	610,359
Animal Programs				
Spay and neuter outreach	128,499	-	-	128,499
Cleaning expenses	16,875	5,625	-	22,500
Depreciation expense	88,141	29,380	-	117,521
Fundraising expense	-	-	23,030	23,030
Dog training	2,876	-	-	2,876
In-kind salaries expense	152,468	50,822	-	203,290
Insurance	10,399	3,466	-	13,865
Materials and supplies	45,750	15,250	-	61,000
Miscellaneous	5,000	1,666	-	6,666
Off-site boarding and grooming	63,258	-	-	63,258
Postage	1,353	451	-	1,804
Printing and photo expense (newsletter)	28,314	9,438	-	37,752
Professional fees	-	9,342	-	9,342
Rent expense	15,606	5,202	-	20,808
Repairs and maintenance	30,218	10,072	-	40,290
Storage	649	216	-	865
Telephone	6,154	2,051	-	8,205
Thrift store expense	40,716	-	-	40,716
Volunteer appreciation	5,815	1,938	-	7,753
Utilities	30,690	10,230	-	40,920
	<u>\$ 1,353,377</u>	<u>\$ 160,377</u>	<u>\$ 23,030</u>	<u>\$ 1,536,784</u>
Total				

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, 2015

	Program Services	General and Administrative	Fundraising	Total
Advertising	\$ 11,559	\$ 3,853	\$ -	\$ 15,412
Animal clinics	14,402	-	-	14,402
Animal food	44,862	-	-	44,862
Animal medical	453,507	-	-	453,507
Animal programs				
Spay and neuter outreach	133,939	-	-	133,939
Cleaning expenses	17,906	5,968	-	23,874
Depreciation expense	86,027	28,675	-	114,702
Fundraising expense	-	-	24,013	24,013
Dog training	3,410	-	-	3,410
In-kind salaries expense	139,163	46,387	-	185,550
Insurance	9,050	3,016	-	12,066
Interest	3,874	1,291	-	5,165
Materials and supplies	53,327	17,775	-	71,102
Miscellaneous	4,510	1,503	-	6,013
Off-site boarding and grooming	44,256	-	-	44,256
Postage	1,249	416	-	1,665
Printing and photo expense (newsletter)	23,663	7,887	-	31,550
Professional fees	-	10,565	-	10,565
Rent expense	7,611	2,537	-	10,148
Repairs and maintenance	19,801	6,600	-	26,401
Storage	634	211	-	845
Telephone	5,177	1,725	-	6,902
Thrift store expenses	20,077	-	-	20,077
Volunteer appreciation	4,891	1,630	-	6,521
Utilities	31,103	10,367	-	41,470
Total	<u>\$ 1,133,998</u>	<u>\$ 150,406</u>	<u>\$ 24,013</u>	<u>\$ 1,308,417</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

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2016 and 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (142,719)	\$ 304,266
Adjustments to reconcile net assets to net cash provided by operating activities		
Depreciation	117,521	114,702
Loss on disposal of assets	429	-
Increase (decrease) in cash resulting from changes in		
Accounts receivable	1,518	1,465
Bequest receivable	-	51,514
Prepaid expenses	985	(918)
Accounts payable	48,917	19,291
Restricted cash	444	68,457
Net cash provided by operating activities	<u>27,095</u>	<u>558,777</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	<u>(100,855)</u>	<u>-</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on long term debt	<u>-</u>	<u>(232,581)</u>
Net (decrease) increase in cash and cash equivalents	(73,760)	326,196
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>999,385</u>	<u>673,189</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 925,625</u></u>	<u><u>\$ 999,385</u></u>
SUPPLEMENTAL INFORMATION		
In-kind services	<u>\$ 209,170</u>	<u>\$ 194,186</u>
Cash paid for interest	<u><u>\$ -</u></u>	<u><u>\$ 5,165</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

NOTES TO FINANCIAL STATEMENTS

December 31, 2016 and 2015

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 promote and provide for the humane treatment of companion dogs and cats in the greater Green Valley/Sahuarita area and to provide life care for dogs and cats that survive 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, 2016, \$8,348 represents temporarily restricted net assets for the life care of animals, asset additions and education (\$45,371 at 2015).

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, 2016 and 2015.

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, 2016, in-kind revenue and expense totaled \$203,290 (\$185,550 for 2015).

Property and Equipment

The League capitalizes all expenditures in excess of \$2,500 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, 2016 was \$117,521 (\$114,702 for 2015). 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

The League is organized as an Arizona nonprofit corporation and has been recognized by the Internal Revenue Service ("IRS") as exempt from federal income taxes under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3), qualify for the charitable contribution deduction under Section 170(b)(1)(A)(vi) and (viii), and have been determined not to be a private foundation under Sections 509(a)(1) and (3), respectively. The League is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the League is subject to income tax on net income that is derived from business activities that are unrelated to their exempt purposes. The League has determined it is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

The League believes that it has appropriate support for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the financial statements. The League would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred.

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

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.

Restricted Cash

Restricted cash represents funds received by the League with restrictions as to their use by the donors. The restrictions are for life care of certain pets, and funds for the spay and neutering program.

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, 2016 and 2015. Total advertising costs for the year ended December 31, 2016 were \$20,911(\$15,412 for 2015).

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.

Accounts Receivable

Accounts receivable are for amounts invoiced to Pima County for a contract for a spaying and neutering program. The carrying amount of accounts receivable is reduced by a valuation allowance that reflects management's best estimate of amounts that will not be collected. The allowance for doubtful accounts is based on management's assessment of the collectability of accounts and the aging of accounts. At December 31, 2016 and 2015 management estimated all receivables to be collectible.

(continued)

See Independent Accountant's Review Report

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

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.

Board Restricted Funds

The board of directors designated a reserve account of \$300,000 during 2015 at Wells Fargo Bank for the financial operation and security of the League.

Reclassifications

Certain amounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements. The reclassifications had no effect on either change in the net assets for the year ended December 31, 2015 or on the net assets as of that date.

Recent Accounting Pronouncements

- **Revenue Recognition**

In May 2014, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) No. 2014-09, Revenue from Contracts with Customers (Topic 606), that will supersede the current revenue recognition requirements. The ASU is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. The ASU also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. The new guidance will be effective for the League's year ending December 31, 2019. The ASU permits application of the new revenue recognition guidance to be applied using one of two retrospective application methods. The League has not yet determined which application method it will use or the potential effects on the new standard on the financial statements, if any.

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

- Leases

In February 2016, the Financial Accounting Standards Board issued ASU No. 2016-02, Leases (Topic 842), that will supersede the current lease requirements. The ASU requires lessees to recognize a right-of-use asset and related lease liability for all leases, with a limited exception for short-term leases. Leases will be classified as either financing or operating, with the classification affecting the pattern of expense recognition in the statement of operations. Currently, leases are classified as either capital or operating, with only capital lease obligations recognized on the statement of financial position. Lessor accounting under the new standard will remain similar to lessor accounting under current GAAP. The reporting of lease-related expenses in the statements of activities and cash flows will be generally consistent with the current guidance. The new lease guidance will be effective for the League's year ending December 31, 2020 and will be applied using a modified retrospective transition method to the beginning of the earliest period presented. The effect of applying the new lease guidance on the financial statements has not yet been determined.

- Non-Profit Organizations

In August 2016, The Financial Accounting Standards Board issued ASU 2016-14, Not-for-Profit Entities (Topic 948), which will change how not-for-profit organizations will report and present certain items in their financial statements. The new guidance will take effect for the year ending December 31, 2019. The significant changes are:

- Simplification of net asset presentation – net assets will now be presented in two classes, “Net assets with donor restrictions,” and “Net assets without donor restrictions.”
- All not-for-profit organizations will be required to present expenses in their natural classification (advertising, payroll, rent, etc.) and by function (program, general and administrative and fund raising).
- Enhanced disclosure requirements related to presenting liquidity information and simplification of existing disclosure requirements related to investment returns and long lived assets purchased with donor-restricted funds.

The League has not yet determined the effect of applying the remaining requirements of the new standard on the financial statements.

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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, 2016 the League had approximately \$54,000 of deposits in excess of federally insured limits (\$54,000 at December 31, 2015). Management believes that there is no risk of default with Wells Fargo Bank, where the League holds these excess funds.

Revenue

The League is dependent on the sales from The Attic thrift shop. The Attic revenues made up 32% of the League’s revenues for 2016 (27% for 2015). In past years the League has received bequests and gifts from estates. Because of the nature of these bequests and gifts it is not certain that amounts related to bequests and gifts from estates will be received each year.

3. ACCOUNTS RECEIVABLE

Accounts receivable at December 31, 2016 and 2015 are comprised of billings on a contract with Pima County. The allowance for bad debts is estimated from historical expense, coupled with a current status of existing receivables. December 31, 2016 and 2015 no allowance was considered necessary. The total loss if all parties fail to perform and collection efforts prove to be ineffective is the stated balance of \$15,720 at December 31, 2016 (\$17,238 for 2015). The organization has no liens to reduce this credit risk.

4. LEASES

In 2015 the League leased property from Prince Road Associates L.L.C. The lease runs through June 30, 2016 and requires monthly payments of \$1,600. The lease converted to month-to-month basis as of July 1, 2016. Total rent expense was \$20,808 for the year ended December 31, 2016 (\$10,148 for 2015).

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5. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	<u>2016</u>	<u>2015</u>
Land	\$ 111,692	\$ 111,692
Buildings and improvements	3,212,721	3,144,912
Furniture	2,607	4,498
Equipment	54,690	60,761
Computer hardware	6,155	12,298
Vehicle	<u>78,041</u>	<u>49,969</u>
Total	3,465,906	3,384,130
Less accumulated depreciation	<u>(714,587)</u>	<u>(615,716)</u>
Net property and equipment	<u>\$ 2,751,319</u>	<u>\$ 2,768,414</u>

6. SIGNIFICANT ESTIMATES

The functional allocation of expenditures is a significant estimate based on 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.

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.

7. 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, 2015 was 3.750%). During the year ended December 31, 2015, the League paid the loan in full.

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8. CONTINGENCY

The League may offer to pay for veterinary care for life for adopted animals that meet board-approved age criteria. The purpose is to encourage people to adopt older animals by supporting the cost of the animal's veterinary care. The League expenses those costs out as incurred as part of animal medical expenses on the statement of functional expenses. These costs were \$112,430 and \$81,797 for the years ended December 31, 2016 and 2015, respectively.

9. SUBSEQUENT EVENTS

Management has evaluated subsequent events through June 2, 2017, the date the financial statements were available to be issued.

The League exceeded the amount available on the Pima County contract for the contract year ended March 11, 2016 by approximately \$6,000. During the contract year ended March 11, 2017, the League submitted requests for less than the allowable contract amount for that contract year. Based on this, Pima County has informed the League that it will reimburse the League for the costs that exceeded the 2016 contract amount.