



Animal Rescue Fund of the Hamptons, Inc.

ANIMAL RESCUE FUND OF THE HAMPTONS, INC.

***FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT***

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

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ANIMAL RESCUE FUND OF THE HAMPTONS, INC.

***FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
TABLE OF CONTENTS***

Independent Auditors' Report	1
<u>Audited Financial Statements</u>	
Statements of Financial Position	3
Statement of Activities for the Year Ended December 31, 2015	4
Statement of Activities for the Year Ended December 31, 2014	5
Statement of Functional Expenses for the Year Ended December 31, 2015	6
Statement of Functional Expenses for the Year Ended December 31, 2014	7
Statements of Cash Flows	8
Notes to Financial Statements	9



INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Animal Rescue Fund of the Hamptons, Inc.
90 Daniels Hole Road
Wainscott, New York 11975

We have audited the accompanying financial statements of Animal Rescue Fund of the Hamptons, Inc. (a not-for-profit organization, "ARF"), which comprise the statements of financial position as of December 31, 2015 and 2014, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to ARF's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of ARF's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of ARF as of December 31, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Cerini & Associates LLP

Bohemia, New York

April 22, 2016

ANIMAL RESCUE FUND OF THE HAMPTONS, INC.

STATEMENTS OF FINANCIAL POSITION

AS OF DECEMBER 31,

2015

2014

ASSETS		
Current Assets:		
Cash and cash equivalents (Note 5).....	\$ 2,819,754	\$ 2,314,893
Restricted cash and cash equivalents (Note 7).....	48,250	-
Investments: (Notes 3, 5, 7, and 9)		
Unrestricted.....	4,062,196	4,807,144
Restricted.....	43,896	209,007
Pledges receivable, net of allowance (Notes 5, 7, and 9).....	3,000	11,750
Current portion of mortgage receivable (Notes 6 and 7).....	8,587	8,088
Inventory (Note 4).....	98,970	57,871
Prepaid expenses and other current assets.....	-	3,098
	<hr/>	<hr/>
TOTAL CURRENT ASSETS	7,084,653	7,411,851
Restricted investments (Notes 3, 5, 7, and 9).....	1,190,000	1,190,000
Mortgage receivable, net of current portion (Notes 6 and 7).....	96,615	105,283
Property and equipment, net of accumulated depreciation (Note 2).....	6,446,923	5,664,150
Security deposits.....	6,740	6,740
	<hr/>	<hr/>
TOTAL ASSETS	\$ 14,824,931	\$ 14,378,024
	<hr/>	<hr/>
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable and accrued expenses.....	\$ 120,963	\$ 154,188
Payroll and related payables.....	88,514	91,552
	<hr/>	<hr/>
TOTAL LIABILITIES	209,477	245,740
Commitments and contingencies (Notes 3, 5, 6, 7, 8, and 9)		
Net Assets:		
Unrestricted:		
Board designated (Notes 7 and 9).....	6,462,582	6,428,021
Undesignated.....	6,765,524	6,191,885
Temporarily restricted (Notes 6, 7, and 9).....	197,348	322,378
Permanently restricted (Notes 7 and 9).....	1,190,000	1,190,000
	<hr/>	<hr/>
TOTAL NET ASSETS	14,615,454	14,132,284
	<hr/>	<hr/>
TOTAL LIABILITIES AND NET ASSETS	\$ 14,824,931	\$ 14,378,024
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ANIMAL RESCUE FUND OF THE HAMPTONS, INC.

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE:				
Contributions.....	\$ 2,392,981	\$ 48,250	\$ -	\$ 2,441,231
Special events revenue, net of direct expenses of \$248,430.....	792,626	-	-	792,626
Donated goods (Note 4).....	553,048	-	-	553,048
Calendar sales, net of cost of goods sold of \$21,880.....	73,203	-	-	73,203
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL SUPPORT	3,811,858	48,250	-	3,860,108
Program Service Revenue				
Adoptions.....	201,933	-	-	201,933
Obedience training.....	53,180	-	-	53,180
Operation Cat.....	21,795	-	-	21,795
Investment loss (Notes 3 and 9).....	(122,914)	(119,119)	-	(242,033)
Other income.....	15,468	-	-	15,468
Net assets released from restrictions (Notes 7 and 9).....	54,161	(54,161)	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL REVENUE	223,623	(173,280)	-	50,343
TOTAL SUPPORT AND REVENUE	4,035,481	(125,030)	-	3,910,451
EXPENSES:				
Program services.....	2,554,314	-	-	2,554,314
Management and general.....	433,908	-	-	433,908
Fundraising.....	439,059	-	-	439,059
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL EXPENSES	3,427,281	-	-	3,427,281
CHANGE IN NET ASSETS	608,200	(125,030)	-	483,170
Net assets, beginning of year.....	12,619,906	322,378	1,190,000	14,132,284
	<hr/>	<hr/>	<hr/>	<hr/>
Net assets, end of year.....	\$ 13,228,106	\$ 197,348	\$ 1,190,000	\$ 14,615,454
	<hr/>	<hr/>	<hr/>	<hr/>

The accompanying notes are an integral part of these financial statements.

ANIMAL RESCUE FUND OF THE HAMPTONS, INC.

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE:				
Contributions.....	\$ 1,466,484	\$ -	\$ -	\$ 1,466,484
Special events revenue, net of direct expenses of \$201,132.....	686,394	-	-	686,394
Donated goods (Note 4).....	412,954	-	-	412,954
Calendar sales, net of cost of goods sold of \$25,489.....	100,078	-	-	100,078
	<u>2,665,910</u>	<u>-</u>	<u>-</u>	<u>2,665,910</u>
Program Service Revenue				
Adoptions.....	179,111	-	-	179,111
Obedience training.....	36,160	-	-	36,160
Operation Cat.....	43,249	-	-	43,249
Investment income/(loss) (Notes 3 and 9).....	300,878	(1,230)	-	299,648
Other income.....	14,754	-	-	14,754
Net assets released from restrictions (Notes 7 and 9).....	50,909	(50,909)	-	-
	<u>625,061</u>	<u>(52,139)</u>	<u>-</u>	<u>572,922</u>
	<u>3,290,971</u>	<u>(52,139)</u>	<u>-</u>	<u>3,238,832</u>
EXPENSES:				
Program services.....	2,310,435	-	-	2,310,435
Management and general.....	342,742	-	-	342,742
Fundraising.....	372,315	-	-	372,315
	<u>3,025,492</u>	<u>-</u>	<u>-</u>	<u>3,025,492</u>
	265,479	(52,139)	-	213,340
Net assets, beginning of year.....	12,354,427	374,517	1,190,000	13,918,944
Net assets, end of year.....	<u>\$ 12,619,906</u>	<u>\$ 322,378</u>	<u>\$ 1,190,000</u>	<u>\$ 14,132,284</u>

ANIMAL RESCUE FUND OF THE HAMPTONS, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Program Services	Management and General	Fundraising	Total
Salaries.....	\$ 1,094,693	\$ 112,276	\$ 196,483	\$ 1,403,452
Payroll taxes.....	112,103	11,498	20,121	143,722
Employee benefits (Note 8).....	146,982	15,075	26,381	188,438
Thrift shop commissions (Note 4).....	-	-	20,500	20,500
Advertising.....	96,629	-	9,611	106,240
Dues and subscriptions.....	2,217	10,899	-	13,116
Office supplies.....	1,514	16,472	12,546	30,532
Transportation.....	30,728	-	4,040	34,768
Telephone and Internet.....	24,086	-	2,395	26,481
Insurance.....	10,755	56,483	-	67,238
Medical.....	135,836	-	-	135,836
Operation Cat.....	72,794	-	-	72,794
Animal supplies.....	316,404	-	-	316,404
Utilities.....	38,490	13,231	8,419	60,140
Printing and postage.....	32,254	-	28,489	60,743
Repairs and maintenance.....	54,944	-	17,958	72,902
Equipment.....	13,278	2,673	-	15,951
Professional fees.....	-	51,675	-	51,675
Education expense.....	58,591	-	-	58,591
Contracted services.....	-	-	71,549	71,549
Licenses and fees.....	1,506	40,373	-	41,879
Depreciation.....	201,759	23,736	11,868	237,363
Miscellaneous.....	108,751	79,517	8,699	196,967
Total expenses	\$ 2,554,314	\$ 433,908	\$ 439,059	\$ 3,427,281

The accompanying notes are an integral part of these financial statements.

ANIMAL RESCUE FUND OF THE HAMPTONS, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries.....	\$ 1,031,076	\$ 105,751	\$ 185,065	\$ 1,321,892
Payroll taxes.....	98,809	10,134	17,735	126,678
Employee benefits (Note 8).....	159,214	16,330	28,577	204,121
Thrift shop commissions (Note 4).....	-	-	25,136	25,136
Advertising.....	35,549	2,239	11,923	49,711
Dues and subscriptions.....	1,335	9,751	-	11,086
Office supplies.....	-	16,262	8,289	24,551
Transportation.....	59,875	-	6,336	66,211
Telephone and Internet.....	8,950	-	2,797	11,747
Insurance.....	8,558	49,011	-	57,569
Medical.....	114,371	-	-	114,371
Operation Cat.....	69,846	-	-	69,846
Animal supplies.....	279,555	-	-	279,555
Utilities.....	34,866	11,985	7,627	54,478
Printing and postage.....	35,431	-	17,952	53,383
Repairs and maintenance.....	90,741	-	21,782	112,523
Equipment.....	3,581	549	-	4,130
Professional fees.....	-	22,509	-	22,509
Education expense.....	18,270	-	-	18,270
Contracted services.....	-	-	23,281	23,281
Licenses and fees.....	800	30,537	-	31,337
Depreciation.....	191,002	22,471	11,235	224,708
Miscellaneous.....	68,606	45,213	4,580	118,399
Total expenses	<u>\$ 2,310,435</u>	<u>\$ 342,742</u>	<u>\$ 372,315</u>	<u>\$ 3,025,492</u>

The accompanying notes are an integral part of these financial statements.

ANIMAL RESCUE FUND OF THE HAMPTONS, INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31,

2015

2014

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets.....	\$	483,170	\$	213,340
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Adjustments to reconcile change in net assets to net cash provided by operating activities:

Depreciation expense.....		237,363		224,708
Unrealized loss on investments.....		577,958		15,969
Realized gain on investments.....		(76,694)		(33,249)
Donated goods.....		(553,048)		(412,954)
Donated securities.....		(534,881)		-

Changes in operating assets and liabilities:

Restricted cash and cash equivalents.....		(48,250)		-
Pledges receivable.....		8,750		125,394
Inventory.....		511,949		410,527
Prepaid expenses and other current assets.....		3,098		-
Land held for resale and security deposits.....		-		176,322
Accounts payable and accrued expenses.....		(33,225)		1,855
Payroll and related payables.....		(3,038)		(8,483)

NET CASH PROVIDED BY OPERATING ACTIVITIES		<u>573,152</u>		<u>713,429</u>
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CASH FLOWS FROM INVESTING ACTIVITIES:

Mortgage receivable.....		8,169		8,315
Acquisitions of fixed assets.....		(1,020,136)		(551,434)
Purchases of investments.....		(443,063)		(970,299)
Sales of investments.....		1,386,739		801,239

NET CASH USED IN INVESTING ACTIVITIES		<u>(68,291)</u>		<u>(712,179)</u>
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Net change in cash and cash equivalents.....		504,861		1,250
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Cash and cash equivalents, beginning of year.....		<u>2,314,893</u>		<u>2,313,643</u>
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Cash and cash equivalents, end of year.....	\$	<u>2,819,754</u>	\$	<u>2,314,893</u>
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ANIMAL RESCUE FUND OF THE HAMPTONS, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of Animal Rescue Fund of the Hamptons, Inc. (hereinafter "ARF") is presented to assist in understanding ARF's financial statements. The financial statements and notes are representations of ARF's management, who is responsible for the integrity and objectivity of the financial statements. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

Organization: ARF was founded in 1974 and provides for the welfare of dogs and cats on the South Fork of Long Island through shelter and adoption services, medical care, spaying and neutering programs, community outreach, and humane education. ARF is a "no-kill" adoption center. ARF also provides services to people with life-threatening illnesses including HIV/AIDS, the homebound elderly, and victims of domestic abuse, under its People United with Pets ("PUP") program, to enable them to maintain their pets within their homes. The Operation Cat program is a trap/alter/release program to humanely reduce the feral cat population on the South Fork of Long Island.

Income Tax Status: ARF is exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code and is publicly supported, as described in section 509(a). Donors may deduct contributions made to ARF within the requirements of the Internal Revenue Code.

ARF evaluated its activities for uncertain tax positions and has determined that there were no uncertain tax positions for 2015 and 2014.

ARF files an IRS Form 990 and respective state and local tax returns. These tax returns are subject to review and examination by Federal, State, and local taxing authorities. Tax returns for the years ended December 31, 2012, 2013, 2014, and 2015 are open for examination by these taxing authorities. ARF has determined that it has registered in all states where it is required to be registered.

Basis of Accounting: These financial statements are presented on the accrual basis of accounting. Revenue and support is recorded when earned and expenses are recorded when incurred.

Basis of Presentation: Financial statement presentation follows the recommendations of the Financial Accounting Standards Board as they apply to not-for-profit organizations. ARF 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.

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met, either by action of ARF and/or the passage of time. 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.

ANIMAL RESCUE FUND OF THE HAMPTONS, INC.

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by ARF. Generally, the donors of these assets permit ARF to use all or part of the income earned on any related investments for general or specific purposes.

Cash and Cash Equivalents: For financial statement purposes, ARF considers all highly liquid financial instruments with original maturities of three months or less from the date of purchase to be cash equivalents.

Receivables: Receivables are amounts pledged but not yet collected. No amounts were identified as uncollectible receivables for 2015 and 2014. As of both December 31, 2015 and 2014, the allowance for doubtful accounts totaled \$10,000.

Fair Value Measurements: ARF follows fair value measurements as prescribed under accounting principles generally accepted in the United States of America. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. There is a fair value hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring the most observable inputs to be used when available. The fair value hierarchy is categorized into three levels. The implementation of fair value measurement did not have an effect on ARF's financial statements.

Inventory: Inventory consists of donated goods held for resale that are carried at their estimated resale values.

Property, Equipment, and Depreciation: Property and equipment are stated at original cost or at estimated fair market value, if donated. Maintenance and repairs are charged to expense and betterments are capitalized. Depreciation expense is computed using the straight-line method over each asset's estimated useful life or the shorter of the lease term or estimated useful life with respect to building improvements. Estimated useful lives are as follows:

Buildings	40 years
Building improvements	40 years
Equipment and fixtures	5-10 years
Vehicles	5 years

Special Events: ARF holds fundraising events to provide additional support for its operations. Revenue from these events is recorded at the time the event takes place. Costs incurred for which a donor receives a direct benefit, exchange transactions, have been offset against the revenue earned in the statements of activities. Other costs related to the event for which the donor does not receive a direct benefit are included within fundraising costs in the statements of functional expenses.

ANIMAL RESCUE FUND OF THE HAMPTONS, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue Recognition: ARF recognizes revenue from foundation and other grants in the period these grants are pledged. Revenue from the sale of calendars is recorded when calendars are sold. Adoption fees are recognized at the time a pet is adopted.

Revenue Recognition on Thrift Store Sales: Donated goods are recorded at estimated resale value. When sold, revenue is recorded with a corresponding charge to cost of sales for an identical amount. Revenue is recorded net of applicable sales tax.

Contributions: Contributions are recognized when the donor makes a promise to give to ARF that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily restricted net assets. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Donated Assets: Donated marketable securities and other noncash donations are recorded as contributions, at their estimated fair values, at their dates of donation.

Donated Services: ARF benefits from volunteer services in program, fundraising, and administrative duties from board members and other volunteers. Even though these donated services are valuable to ARF, and help to advance ARF's mission, no amounts have been reflected in the financial statements for such contributed services inasmuch as such services do not meet the criteria for recognition in the financial statements nor do they create or enhance nonfinancial assets.

Functional Expenses: The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited based upon an analysis of personnel time and space utilized for the related activities.

Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of ARF.

Use 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 the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Advertising: ARF uses advertising to promote its programs among the audiences it serves. The production costs of advertising are expensed as incurred.

ANIMAL RESCUE FUND OF THE HAMPTONS, INC.

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Compensated Absences: Pursuant to the personnel manual implemented by ARF, vacation and holiday time is accumulated on an ongoing basis. The accumulated leave accrual at December 31, 2015 and 2014 is included within payroll and related payables in the accompanying statements of financial position.

Events Occurring After Report Date: ARF has evaluated events and transactions that occurred between January 1, 2016 and April 22, 2016, which is the date the financial statements were available to be issued, for possible disclosure and recognition in the financial statements.

NOTE 2 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31,:

	<u>2015</u>	<u>2014</u>
Land.....	\$ 384,432	\$ 384,432
Buildings and improvements.....	6,230,844	6,230,844
Equipment and fixtures.....	176,795	169,048
Vehicles.....	387,205	387,205
Total property and equipment.....	<u>7,179,276</u>	<u>7,171,529</u>
Less: accumulated depreciation.....	(2,251,323)	(2,013,960)
Construction in progress.....	1,518,970	506,581
Net property and equipment.....	<u>\$ 6,446,923</u>	<u>\$ 5,664,150</u>

Construction in progress pertains to the renovations to the adoption building medical wing and for the construction of the training building and cat and dog sanctuary buildings. The construction on the medical wing is expected to be completed in 2016.

NOTE 3 - INVESTMENTS

ARF presents investments in the statements of financial position at fair value. ARF utilizes a fair value hierarchy that prioritizes the inputs in the valuation techniques used to measure fair value into three broad levels (Level 1, 2, and 3).

- Level 1: Level 1 instruments are valued using observable inputs that reflect quoted prices for identical assets or liabilities in active markets that ARF has the ability to access at the measurement date. Level 1 assets include highly liquid U.S. Treasury securities and exchange traded equity securities.
- Level 2: Level 2 instruments are valued using observable inputs, other than quoted prices included in Level 1, for the asset or liability or prices for similar assets and liabilities. Most debt securities and some preferred stocks are model priced by vendors using observable inputs and are classified within Level 2.
- Level 3: Level 3 instruments are valued using valuations that are derived from techniques in which one or more of the significant inputs are unobservable (including assumptions about risk). Level 3 securities include less liquid securities such as highly

ANIMAL RESCUE FUND OF THE HAMPTONS, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE 3 - INVESTMENTS (continued)

structured and/or lower quality asset-backed securities ("ABS") and commercial mortgage-backed securities ("CMBS"). Because Level 3 fair values, by their nature, contain unobservable market inputs as there is no observable market for these assets and liabilities, considerable judgment is used to determine the Level 3 fair values. Level 3 fair values represent ARF's best estimate of an amount that could be realized in a current market exchange absent actual market exchanges.

All of the investments held by ARF are considered Level 1 investments because they are regularly traded and have quoted prices in active markets.

ARF's financial instruments consist of mutual funds only. The fair value and historical cost of ARF's mutual funds were as follows as of December 31,:

	<u>Fair Value</u>	<u>Cost</u>
2015.....	\$ 5,296,092	\$ 5,441,086
2014.....	\$ 6,206,151	\$ 5,826,476

ARF invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment holdings could occur in the near term and that change could materially affect the amounts reported in the accompanying statements of financial position.

The following schedule summarizes the investment return included in the statements of activities for the years ended December 31,:

	<u>2015</u>	<u>2014</u>
Interest and dividend income.....	\$ 259,231	\$ 282,368
Realized gain.....	76,694	33,249
Unrealized loss.....	(577,958)	(15,969)
Total investment (loss)/income.....	<u>\$ (242,033)</u>	<u>\$ 299,648</u>

NOTE 4 - INVENTORY

ARF has a thrift store in Sagaponack, New York to sell clothing, furniture, and other goods donated by the general public. ARF records all such donated items at their estimated fair values at the dates of donation and later resells such items for an amount that approximates their donated values. During 2015 and 2014, ARF received \$553,048 and \$412,954 in donated items, respectively. Thus, amounts for thrift store sales and cost of goods sold net to zero. Any unsold items are maintained within inventory at estimated fair value. ARF collects sales taxes from customers of this thrift store and remits these amounts to applicable taxing authorities.

Certain employees of the thrift store receive commissions that, depending on the position of the employee, are either 3% or 5% of the weekly gross sales net of sales tax. For the years ended December 31, 2015 and 2014, \$20,500 and \$25,136 were paid out in commissions, respectively.

ANIMAL RESCUE FUND OF THE HAMPTONS, INC.

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

NOTE 5 - CONCENTRATIONS OF RISK

As of December 31, 2015 and 2014, approximately 100% and 60%, respectively, of ARF's pledges receivable was due from one donor.

ARF maintains cash and investments in several bank accounts which are insured by the Federal Deposit Insurance Corp and Securities Investor Protection Corporation. From time to time, ARF may have cash on deposits with financial institutions that are in excess of Federal Deposit Insurance Corporation and Securities Investor Protection Corporation limits.

NOTE 6 - ASSIGNED MORTGAGE RECEIVABLE

ARF received an assigned mortgage receivable in February 1996 with imposed donor restrictions. The value of the donated mortgage at the date of donation was \$203,550. The balance at December 31, 2015 and 2014 was \$105,202 and \$113,371, respectively. ARF is collecting monthly installments of \$1,229, including interest of 6%, with satisfaction of the mortgage in June 2025 or when the mortgage has transferred the underlying house that secures the mortgage.

These mortgage payments are restricted by the donor for building and grounds repairs and maintenance. Principal payments to be received for the mortgage balance are as follows for the years ending December 31,:

2016	\$ 8,587
2017	9,116
2018	9,679
2019	10,279
2020	10,909
Thereafter	<u>56,632</u>
Total principal	<u>\$ 105,202</u>

NOTE 7 - NET ASSETS

Board Designated

From time to time, ARF's Board of Directors designates certain net assets for specific purposes. Such net assets were designated as follows at December 31,:

	<u>2015</u>	<u>2014</u>
To support ARF Endowment Fund	\$ 5,048,393	\$ 4,879,185
To support ARF programs	40,619	41,878
PUP program.....	-	5,500
Capital endowment (building renovations).....	5,733	5,733
Reserve fund (general operations/reserves).....	65,600	3,311
Land planning fund (land planning and development).....	1,302,237	1,492,414
Total board designated net assets.....	<u>\$ 6,462,582</u>	<u>\$ 6,428,021</u>

ANIMAL RESCUE FUND OF THE HAMPTONS, INC.

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

NOTE 7 - NET ASSETS (continued)

Temporarily Restricted

Temporarily restricted net assets were available for the following purposes at December 31,:

	<u>2015</u>	<u>2014</u>
Sampson mortgage receivable.....	\$ 105,202	\$ 113,371
To support ARF Endowment Fund	3,025	143,065
To support ARF programs	34,789	43,080
PUP program.....	6,082	22,862
Medical wing renovations.....	48,250	-
Total temporarily restricted net assets	<u>\$ 197,348</u>	<u>\$ 322,378</u>

During the year ended December 31, 2015, a total of \$54,161 was released from temporarily restricted net assets. Of this amount, \$45,992 from the endowment fund was used for general operating expenses, and \$8,169 of the Sampson mortgage payments was used towards maintenance of the adoption center.

During the year ended December 31, 2014, a total of \$50,909 was released from temporarily restricted net assets. Of this amount, \$42,594 from the endowment fund was used for general operating expenses, and \$8,315 of the Sampson mortgage payments was used towards maintenance of the adoption center.

Permanently Restricted

ARF has permanently restricted funds, the Vandivert Fund, PUP, and a gift provided by the Joseph and Sylvia Slifka Foundation, Inc. for the ARF Endowment Fund, the principal of which is restricted by donors in perpetuity. Under the terms of the restriction, ARF can use the investment income from the Vandivert Fund and PUP fund for program expenses and investment income from the ARF Endowment Fund for general operating expenses. ARF had the following permanently restricted funds as of December 31,:

	<u>2015</u>	<u>2014</u>
PUP program	\$ 50,000	\$ 50,000
ARF Endowment Fund.....	1,000,000	1,000,000
Vandivert Fund.....	140,000	140,000
Total permanently restricted net assets	<u>\$ 1,190,000</u>	<u>\$ 1,190,000</u>

ANIMAL RESCUE FUND OF THE HAMPTONS, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE 8 - RETIREMENT PLAN

During January 2009, ARF started a 401(k) plan for its employees. All employees are eligible after one year of service to make contributions to the plan; however, employees over 21 years of age, who have completed one year of service, and who provided 1,000 hours of service to ARF in a year, are eligible to receive employer contributions. For employees that work a complete year, ARF will contribute 5% of the employee's annual gross salary. For the years ended December 31, 2015 and 2014, ARF incurred 401(k) match expenses of \$36,251 and \$46,783, respectively. These amounts are included in employee benefits in the statements of functional expenses.

NOTE 9 - ENDOWMENT

Effective, September 17, 2010, the State of New York enacted the New York Prudent Management of Institutional Funds Act ("NYPMIFA"), the provisions of which apply to the endowment funds existing on or established after that date.

The Endowment: As outlined in Note 7, ARF's endowments consist of individual donor-restricted funds that have been established for the Endowment Fund portion of the "Securing Our Future Campaign" and the Vandivert Fund. In addition, ARF has Board designated and temporarily restricted endowments. ARF is required to act prudently when making decisions to spend or accumulate donor restricted endowment assets and in doing so to consider a number of factors including the duration and preservation of its donor restricted endowment funds. ARF classifies as permanently restricted net assets the original value of gifts donated to the permanent endowment. The portion of the donor-restricted endowment fund, principally consisting of unspent investment income that is not classified as permanently restricted net assets is classified as temporarily restricted net assets based on donor stipulations.

Endowment Net Asset Composition by Type of Fund: ARF's total endowment fund consists of the following at December 31,:

	<u>2015</u>	<u>2014</u>
Permanently restricted net assets	\$ 1,190,000	\$ 1,190,000
Temporarily restricted net assets	43,896	209,007
Total donor restricted	<u>1,233,896</u>	<u>1,399,007</u>
Board designated net assets	6,462,582	6,428,021
Total endowment fund	<u>\$ 7,696,478</u>	<u>\$ 7,827,028</u>

The endowed balance consists principally of pledges received for the Securing Our Future Campaign, as well as a balanced investment portfolio.

ANIMAL RESCUE FUND OF THE HAMPTONS, INC.

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

NOTE 9 - ENDOWMENT (continued)

Changes in Endowment Net Assets: The endowment had the following changes for the years ended December 31, 2015 and 2014:

	Permanently Restricted	Temporarily Restricted	Board Designated	Total
Endowment net assets, January 1, 2015.....	\$ 1,190,000	\$ 209,007	\$ 6,428,021	\$ 7,827,028
Interest and dividends.....	-	-	259,231	259,231
Net investment loss.....	-	(119,119)	(382,145)	(501,264)
Contributions.....	-	-	332,702	332,702
Transfers, net.....	-	-	452,250	452,250
Amounts appropriated for expenditure.....	-	(45,992)	(627,477)	(673,469)
Change in endowment net assets.....	-	(165,111)	34,561	(130,550)
Endowment net assets, December 31, 2015.	<u>\$ 1,190,000</u>	<u>\$ 43,896</u>	<u>\$ 6,462,582</u>	<u>\$ 7,696,478</u>

	Permanently Restricted	Temporarily Restricted	Board Designated	Total
Endowment net assets, January 1, 2014.....	\$ 1,190,000	\$ 252,831	\$ 6,832,645	\$ 8,275,476
Interest and dividends.....	-	-	281,114	281,114
Net investment gain.....	-	(1,230)	19,764	18,534
Contributions.....	-	-	197,205	197,205
Amounts appropriated for expenditure.....	-	(42,594)	(902,707)	(945,301)
Change in endowment net assets.....	-	(43,824)	(404,624)	(448,448)
Endowment net assets, December 31, 2014.	<u>\$ 1,190,000</u>	<u>\$ 209,007</u>	<u>\$ 6,428,021</u>	<u>\$ 7,827,028</u>

Funds with Deficiencies: From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or NYPMIFA requires ARF to retain as a fund of perpetual duration. There were no such deficiencies as of December 31, 2015 and 2014.

Return Objectives and Risk Parameters: ARF has adopted investment and spending strategies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets.

Strategies Employed for Achieving Objectives: To satisfy its long-term rate-of-return objectives, ARF relies on a total-return strategy in which investment returns are achieved through a balanced portfolio of equity based and fixed securities.

Spending Policy: ARF has a policy of spending the investment income generated from its temporarily and permanently restricted endowment funds for program and general operating expenses, which is allowable under the donor guidelines. At December 31, 2015 and 2014, ARF used a portion of the investment income towards program and general operating expenses.

ANIMAL RESCUE FUND OF THE HAMPTONS, INC.

***NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014***

NOTE 9 - ENDOWMENT (continued)

Investment Policy: ARF has a formal investment policy to ensure that the endowment is appropriately invested in lower risk alternatives. ARF's investment portfolio is primarily invested in mutual funds, closed-end funds, and exchange traded funds. The portfolio risk is reduced by diversifying the portfolio among various asset types such as cash, bonds, domestic and international equities, and specialty investments such as dividend capture funds. ARF targets a conservative asset allocation that places a greater emphasis on the conservation of investment principal to achieve its long-term return objectives within prudent risk constraints.