ANIMAL RESCUE FUND OF THE HAMPTONS, INC.

FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT

AS OF AND FOR THE YEARS ENDED
DECEMBER 31, 2018 AND 2017

ANIMAL RESCUE FUND OF THE HAMPTONS, INC.
FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
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NawrockiSmith

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Animal Rescue Fund of the Hamptons, Inc.:

We have audited the accompanying financial statements of Animal Rescue Fund of the Hamptons, Inc. (the "Organization"), which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to 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.

Auditor's 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 audit 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 auditor's 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 the entity'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 the entity'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.

NawrockiSmith

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Animal Rescue Fund of the Hamptons, Inc. as of December 31, 2018 and 2017, and the changes in net assets, functional expenses and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 3 to the financial statements, in 2018 the Animal Rescue Fund of the Hamptons, Inc. adopted new accounting guidance, Accounting Standards Update ("ASU") 2016-14, *Not-For-Profit Entities (Topic 958): Presentation of Financial Statements of Not-For-Profit Entities*. The effect of ASU 2016-14 requires the Organization to apply the changes discussed in Note 3 to the financial statements retrospectively to all periods presented. Our opinion is not modified with respect to this matter.

Melville, New York
September 4, 2019

Nawrocki Smith LLP

ANIMAL RESCUE FUND OF THE HAMPTONS, INC.
STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2018 AND 2017

ASSETS	2018	2017
CURRENT ASSETS:		
Cash and cash equivalents	$ 1,454,881	$ 1,765,729
Investments	3,945,400	4,945,807
Accounts receivable	125,582	19,695
Contributions receivable, net	167,924	158,419
Mortgage receivable, current portion	10,276	9,678
Inventory	57,425	81,033
Prepaid expenses	1,750	-
Total current assets	5,763,238	6,980,361
Fixed assets, net of accumulated depreciation of $3,105,138 and $2,930,170, respectively	6,442,427	6,460,344
Mortgage receivable, net of current portion	68,940	79,216
Contributions receivable, net, noncurrent portion	335,848	475,256
Restricted investments	1,190,000	1,190,000
Security deposits	6,740	6,740
Total assets	$ 13,807,193	$ 15,191,917
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	$ 226,404	$ 256,021
Total current liabilities	226,404	256,021
NET ASSETS:		
Without donor restrictions:		
Designated for fixed assets and construction-in-progress	6,442,427	6,460,344
Board designated for ARF Securing Our Future Campaign	4,253,014	4,880,371
Board designated for land planning fund	232,381	826,973
Board designated for capital expenditures	463,332	256,789
Undesignated	-	379,946
Total net assets without donor restrictions	11,391,154	12,804,423
With donor restrictions	2,189,635	2,131,473
Total net assets	13,580,789	14,935,896
Total liabilities and net assets	$ 13,807,193	$ 15,191,917

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

ANIMAL RESCUE FUND OF THE HAMPTONS, INC.
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018			2017		
	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
PUBLIC SUPPORT:						
Contributions	$ 1,556,121	$ 85,390	$ 1,641,511	$ 1,388,713	$ 843,448	$ 2,232,161
Special events, net of direct expenses	472,113	-	472,113	730,627	-	730,627
Donated goods	479,264	-	479,264	490,842	-	490,842
Calendar sales, net of cost of goods sold	27,475	-	27,475	49,707	-	49,707
Total public support	2,534,973	85,390	2,620,363	2,659,889	843,448	3,503,337
REVENUES:						
Adoptions	235,928	-	235,928	306,173	-	306,173
Obedience training	71,770	-	71,770	88,117	-	88,117
Operation Cat	37,563	-	37,563	41,739	-	41,739
Investment income (loss), net	(362,867)	-	(362,867)	900,394	-	900,394
Other income	79,185	-	79,185	12,946	-	12,946
Total revenues	61,579	-	61,579	1,349,369	-	1,349,369
Total public support and revenues	2,596,552	85,390	2,681,942	4,009,258	843,448	4,852,706
EXPENSES:						
Program services	3,062,396	-	3,062,396	3,494,452	-	3,494,452
Administration	248,802	-	248,802	544,049	-	544,049
Fundraising	725,851	-	725,851	506,904	-	506,904
Total expenses	4,037,049	-	4,037,049	4,545,405	-	4,545,405
Excess (deficiency) of revenues over (under) expenses	(1,440,497)	85,390	(1,355,107)	(536,147)	843,448	307,301
Net assets released from restrictions	27,228	(27,228)	-	7,635	(7,635)	-
CHANGE IN NET ASSETS	(1,413,269)	58,162	(1,355,107)	(528,512)	835,813	307,301
NET ASSETS, BEGINNING OF YEAR	12,804,423	2,131,473	14,935,896	13,332,935	1,295,660	14,628,595
NET ASSETS, END OF YEAR	$ 11,391,154	$ 2,189,635	$ 13,580,789	$ 12,804,423	$ 2,131,473	$ 14,935,896

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

ANIMAL RESCUE FUND OF THE HAMPTONS, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018				2017			
	Program Services	Administration	Fundraising	Total	Program Services	Administration	Fundraising	Total
Salaries	$ 1,488,213	$ 138,570	$ 399,099	$ 2,025,882	$ 1,471,829	$ 150,957	$ 234,185	$ 1,856,971
Employee benefits	228,137	21,242	61,180	310,559	247,452	25,380	44,413	317,245
Medical	273,786	-	-	273,786	424,356	-	-	424,356
Depreciation	169,554	15,787	45,470	230,811	361,419	42,519	21,260	425,198
Payroll taxes	154,253	14,363	41,367	209,983	159,220	16,331	28,577	204,128
Repairs and maintenance	127,431	-	34,181	161,612	84,230	-	27,530	111,760
Animal supplies	151,803	-	-	151,803	166,923	-	-	166,923
Transportation	92,649	-	24,851	117,500	235,296	-	30,936	266,232
Insurance	80,919	7,535	21,700	110,154	19,341	101,574	-	120,915
Miscellaneous	66,717	6,212	17,891	90,820	87,690	64,118	7,014	158,822
Utilities	62,103	5,782	16,654	84,539	50,443	17,340	11,034	78,817
Advertising	44,553	-	11,950	56,503	63,727	-	6,339	70,066
Office supplies	29,256	2,724	7,846	39,826	1,314	14,292	10,886	26,492
Professional fees	-	32,554	-	32,554	-	68,680	-	68,680
Thrift shop commissions	-	-	29,758	29,758	-	-	29,989	29,989
Operation Cat	20,793	-	-	20,793	34,845	-	-	34,845
Telephone and internet	14,246	1,326	3,820	19,392	7,944	715	75	8,734
Printing and postage	13,106	-	3,515	16,621	7,020	-	6,200	13,220
Contracted services	11,873	1,106	3,184	16,163	-	-	48,466	48,466
Storage	12,616	-	3,385	16,001	-	-	-	-
Dues and subscriptions	14,401	1,341	-	15,742	937	4,604	-	5,541
Education	3,201	-	-	3,201	51,172	-	-	51,172
Equipment	1,501	140	-	1,641	18,029	3,630	-	21,659
Licenses and fees	1,285	120	-	1,405	1,265	33,909	-	35,174
Total	$ 3,062,396	$ 248,802	$ 725,851	$ 4,037,049	$ 3,494,452	$ 544,049	$ 506,904	$ 4,545,405

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

ANIMAL RESCUE FUND OF THE HAMPTONS, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ (1,355,107)	$ 307,301
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	230,811	425,198
Unrealized (gain) loss on investments	597,855	(726,232)
Realized gain on investments	(5,930)	(95,560)
Decrease (increase) in contributions receivable	129,903	(630,675)
(Increase) decrease in accounts receivable	(105,887)	7,671
Decrease (increase) in inventory	23,608	(13,863)
Increase in prepaid expenses	(1,750)	-
(Decrease) increase in accounts payable and accrued expenses	(29,617)	52,902
Net cash used by operating activities	(516,114)	(673,258)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Payments on mortgage receivable	9,678	7,635
Purchase of investments	(2,081,311)	(8,244,392)
Sale of investments	2,489,793	8,675,686
Purchase of fixed assets	(212,894)	(281,990)
Net cash provided by investing activities	205,266	156,939
NET DECREASE IN CASH AND CASH EQUIVALENTS	(310,848)	(516,319)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,765,729	2,282,048
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 1,454,881	$ 1,765,729
SUPPLEMENTAL CASH FLOW INFORMATION:		
Retirement of fully depreciated fixed assets	$ 55,843	$ -

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

ANIMAL RESCUE FUND OF THE HAMPTONS, INC.
NOTES TO FINANCIAL STATEMENTS

(1) Nature of organization

The Animal Rescue Fund of the Hamptons, Inc. ("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.

(2) Summary of significant accounting policies:

The accompanying financial statements include the assets, liabilities, revenues and expenses of ARF. The following is a summary of significant accounting policies followed by ARF.

Financial statement presentation -

The accompanying financial statements are generally presented under the accrual basis of accounting, and include the accounts of ARF's programs, administration and fundraising. ARF presents its financial statements in accordance with U.S. generally accepted accounting principles that require ARF's financial statements to distinguish net assets and changes in net assets between those with and without donor restrictions. ARF's net assets consist of the following:

> Without donor restrictions - net assets which have not been restricted by an outside donor or by law and are therefore available for use in carrying out the operations of ARF.
>
> With donor restrictions - net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

As required by U.S. generally accepted accounting principles, ARF has also presented Statements of Cash Flows for the years ended December 31, 2018 and 2017.

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. 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 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 net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are

reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

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, have been offset against the revenue earned in the Statements of Activities and Changes in Net Assets. 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.

Cash and cash equivalents -

All highly liquid investments purchased with an original maturity of three months or less are considered to be cash equivalents, including money market funds.

Contributions receivable -

Contributions receivable are recognized as support in the period pledged and are recorded at the present value of estimated cash flow. The discount on these amounts is computed using a risk- adjusted rate applicable to the years in which the promises are to be received. Amortization of the discount is recorded as an addition to contribution revenue in accordance with donor-imposed restrictions. ARF expects contributions receivable to be collected in full therefore, an allowance for doubtful accounts has not been recorded as of December 31, 2018.

Investments -

Investments are stated at fair value for the period presented. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") on fair value measurements also establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements).

Inventory -

Inventory consists of donated goods held for resale that is stated at the lower of cost or net realizable value.

Fixed assets -

Fixed assets are capitalized at cost or, if donated, at fair market value as of the date of receipt. Maintenance and repairs are charged to expense and betterments are capitalized. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Estimated useful lives are as follows:

Buildings and improvements	31-40 years
Equipment and fixtures	3-20 years
Vehicles	5 years

Impairment of long-lived assets and long-lived assets to be disposed of -

ARF follows the provisions of the FASB ASC on accounting for the impairment or disposal of long-lived assets which require that long-lived assets and certain identifiable intangibles be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. These principles did not have a material impact on the ARF's financial position, results of activities or liquidity during the years ended December 31, 2018 and 2017.

Conditional asset retirement obligations -

The FASB ASC on accounting for conditional asset retirement and environmental obligations requires ARF to recognize a liability for the fair value of its legal obligation to perform an asset retirement activity, even though uncertainty exists about the timing and/or method of settlement, if and when the fair value of the liability can be reasonably estimated. As of December 31, 2018 and 2017, ARF has met the provisions of and is in compliance with these requirements and no obligation currently exists.

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 Statements of Functional Expenses report certain categories of expenses that are attributable to one or more program or supporting functions of the Organization. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Direct program expenses are reported in their respective functional categories. The significant expenses that are allocated include: salaries, employee benefits, medical and payroll taxes which are allocated on the basis of estimates of time and effort. Depreciation is allocated on the basis of square footage and use, and all other expenses are allocated on a systematic and rational basis.

Liquidity considerations -

Quantitative

As of December 31, 2018, and 2017, ARF has $4,832,543 and $6,118,105, respectively, of current assets available to meet cash needs for program and supporting services expenditures within one year of the Statement of Financial

Position date. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for expenditures.

Qualitative

As part of ARF's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

Income taxes -

ARF qualifies as a tax exempt not-for-profit organization under Internal Revenue Code ("IRC") Section 501(c)(3) and applicable New York State tax laws. Accordingly, no provision for federal or state income taxes is required.

Uncertainty in income taxes -

The Organization recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Management has determined that the Organization had no uncertain tax positions that would require financial statement recognition. The Organization is no longer subject to examination by the applicable taxing jurisdictions for tax years prior to 2015.

The use of estimates in preparation of financial statements -

The preparation of financial statements in conformity with U.S. 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications -

Certain reclassifications of prior year balances on the Statements of Financial Position, Statements of Activities and Changes in Net Assets, Statements of Functional Expenses and Statements of Cash Flows have been made to conform to the current year presentation. These reclassifications had no effect on the increase in net assets for the year ended December 31, 2017.

(3) New accounting standards

For the fiscal year ended December 31, 2018, ARF implemented FASB ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-For-Profit Entities*. ARF has applied the changes retrospectively to all periods presented. The new standard changes the following aspects of the financial statements:

- The unrestricted net asset class has been renamed net assets without donor restrictions;
- The temporarily and permanently restricted net asset classes have been combined into a single net asset class called net assets with donor restrictions;
- The financial statements include a disclosure about liquidity and availability of resources and functional expense allocation; and
- Investment expenses are included in net investment return and are presented on the face of the Statements of Activities and Changes in Net Assets.

(4) Fair value measurement:

The FASB Fair Value Measurement standard clarifies the definition of fair value for financial reporting, establishes framework for measuring fair value, and requires additional disclosure about the use of fair value measurements in an effort to make the measurement of fair value more consistent and comparable. ARF has adopted the standard for its financial assets and liabilities measured on a recurring and nonrecurring basis.

Fair Value Measurement defines fair value as the amount that would be received from the sale of an asset or paid for the transfer of a liability in an orderly transaction between market participants, i.e. an exit price. The three levels of fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the reported entity has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

The following methods and assumptions were used by ARF in addressing the fair value of financial instruments:

Cash and cash equivalents -

The carrying amounts reported in the Statements of Financial Position for cash and cash equivalents approximate those assets' fair values (which include money market funds).

Mutual funds -

Mutual funds consist primarily of equities, bonds and U.S. government securities.

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

As of December 31, 2018 and 2017, ARF did not posses any level 2 or 3 type of investments.

ARF's financial instruments consist of mutual funds only. The fair value and historical cost of ARF's mutual funds as of December 31, 2018 and 2017 were as follows:

	2018		2017	
	Fair Value	Cost	Fair Value	Cost
Mutual funds	$ 5,135,400	$ 5,736,869	$ 6,135,807	$ 6,016,286

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.

(5) Fixed assets

Fixed assets as of December 31, 2018 and 2017 are comprised of the following:

	2018	2017
Land	$ 384,432	$ 384,432
Buildings and improvements	8,460,010	8,253,598
Equipment and fixtures	176,303	225,664
Vehicles	526,820	526,820
	9,547,565	9,390,514
Less: accumulated depreciation	3,105,138	2,930,170
Fixed assets, net	$ 6,442,427	$ 6,460,344

(6) 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 2018 and 2017, ARF received $479,264 and $490,842, respectably, in donated items. 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.

(7) 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, 2018 and 2017 was $79,216 and $88,894, respectively. ARF is collecting monthly installments of $1,229, including interest of 6%, with satisfaction of the mortgage in June 2025 or when the mortgagee 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:

Years Ending December 31,	Amount
2019	$ 10,276
2020	10,909
2021	11,582
2022	12,297
Thereafter	34,152
	$ 79,216

(8) Contributions receivable

Contributions receivable as of December 31, 2018 are due as follows:

Years Ending December 31,	Amount
2019	$ 200,000
2020	200,000
2021	200,000
	600,000
Less: discount at 6% present value	(96,228)
Contributions receivable, net	503,772
Less: current portion	(167,924)
Non-current portion	$ 335,848

(9) Net assets with donor restrictions

Purpose restricted net assets are available for or relate to the following purposes:

	2018	2017
Capital Campaign	$ 903,772	$ 833,675
Sampson mortgage receivable	79,216	88,894
PUP program	16,647	18,903
	$ 999,635	$ 941,472

ARF has restricted funds held in perpetuity, the principal of which is restricted by the donors. Under the terms of the restriction, ARF can use the investment income for program and general operating expenses.

The Uniform Prudent Management of Institutional Funds Act requires 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, 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 has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to protect the original value of the gift.

Restricted in perpetuity net assets are restricted to:

	2018	2017
ARF Endowment Fund	$ 1,000,000	$ 1,000,000
Vandivert Fund	140,000	140,000
PUP program	50,000	50,000
	$ 1,190,000	$ 1,190,000

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 applicable law requires ARF to retain as a fund of perpetual duration. There were no such deficiencies as of December 31, 2018 and 2017.

Net assets associated with endowment funds are classified and reported based on the existence or absence of donor imposed restrictions.

(10) 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, 2018 and 2017, ARF incurred 401(k) match expenses of $62,672 and $80,009, respectively. These amounts are included in employee benefits in the Statements of Functional Expenses.

(11) Concentrations of risk

ARF maintains cash and investments in several bank accounts which are insured by the Federal Deposit Insurance Corporation ("FDIC") and the Securities Investor Protection Corporation ("SIPC"). From time to time, ARF may have cash on deposits with financial institutions that are in excess of FDIC and SIPC limits. ARF has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

(12) Subsequent events

ARF has evaluated subsequent events through September 4, 2019, which is the date these financial statements were available to be issued. Based on this evaluation, ARF has determined the following subsequent event has occurred, which requires disclosure in the financial statements:

> On May 2, 2019, ARF entered into a line of credit agreement with a financial institution in an amount not to exceed $2,000,000.