

**ROBERT POTTER LEAGUE  
FOR ANIMALS, INC.**

**Financial Statements**

**Year Ended July 31, 2011**

**(With Independent Auditors' Report Thereon)**

**ROBERT POTTER LEAGUE FOR ANIMALS, INC.**

**FINANCIAL STATEMENTS**

**Year Ended July 31, 2011**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
Robert Potter League for Animals, Inc.:

We have audited the accompanying statement of financial position of Robert Potter League for Animals, Inc. (the League) (a nonprofit organization) as of July 31, 2011, and the related statements of activities and changes in net assets, cash flows and functional expenses for the year then ended. These financial statements are the responsibility of the League's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior-year summarized comparative information has been derived from the League's July 31, 2010 financial statements and, in our report dated November 4, 2010, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Robert Potter League for Animals, Inc. as of July 31, 2011 and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*Kahn, Litwin, Renza + Co., Ltd.*

October 21, 2011

**ROBERT POTTER LEAGUE FOR ANIMALS, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**July 31, 2011**  
**(With Comparative Totals at July 31, 2010)**



	<b>2011</b>	<b>2010</b>
<b>Assets:</b>		
Cash and cash equivalents	\$ 393,513	\$ 493,381
Service receivables	17,146	12,436
Unconditional promises to give	494,020	188,384
Prepaid expenses and other assets	13,689	15,340
Property and equipment, net	8,023,581	8,360,700
Investments, at fair value	1,514,920	2,146,633
<b>Total Assets</b>	<b>\$ 10,456,869</b>	<b>\$ 11,216,874</b>
 <b>Liabilities and Net Assets</b>		
<b>Liabilities:</b>		
Non-revolving line of credit	\$ 1,875,000	\$ 3,122,719
Accounts payable	19,080	41,881
Accrued expenses	38,475	39,666
<b>Total liabilities</b>	<b>1,932,555</b>	<b>3,204,266</b>
 <b>Net Assets:</b>		
<b>Unrestricted:</b>		
General	292,721	547,334
Investment in property and equipment, net	6,148,581	5,237,981
Board designated - debt reserve	1,070,132	1,535,516
<b>Total unrestricted net assets</b>	<b>7,511,434</b>	<b>7,320,831</b>
Temporarily restricted	559,437	238,334
Permanently restricted	453,443	453,443
<b>Total net assets</b>	<b>8,524,314</b>	<b>8,012,608</b>
 <b>Total Liabilities and Net Assets</b>	<b>\$ 10,456,869</b>	<b>\$ 11,216,874</b>

**ROBERT POTTER LEAGUE FOR ANIMALS, INC.**  
**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**Year Ended July 31, 2011**  
**(With Comparative Totals for the Year Ended July 31, 2010)**



	2011	2010
Changes in unrestricted operating net assets:		
Operating revenues and support:		
Contributions and grants	\$ 685,136	\$ 687,016
Events, net of direct expenses of \$199,811	228,079	199,586
Shelter services	276,305	256,359
Service contract fees	215,749	206,583
Sale of pet supplies, net	16,481	13,468
Appropriation of investment assets	117,000	133,000
Net assets released from restrictions	50,668	20,043
<b>Total operating revenue and support</b>	<b>1,589,418</b>	<b>1,516,055</b>
Program expenses:		
Shelter services	935,500	958,909
Education and training services	300,171	315,405
<b>Total program expenses</b>	<b>1,235,671</b>	<b>1,274,314</b>
Supporting services:		
Fundraising	230,532	311,222
Management and general	173,610	186,355
<b>Total supporting services</b>	<b>404,142</b>	<b>497,577</b>
<b>Total operating expenses</b>	<b>1,639,813</b>	<b>1,771,891</b>
<b>Changes in unrestricted net assets from operations</b>	<b>(50,395)</b>	<b>(255,836)</b>
Non-operating revenue and support:		
Contributions and grants	222,677	167,881
Interest and dividends, net	30,834	34,989
Net realized and unrealized losses on investments	(6,565)	(23,272)
Net assets released from restrictions	92,394	373,118
Appropriation of investment assets	(98,342)	(113,120)
<b>Changes in non-operating revenue and support</b>	<b>240,998</b>	<b>439,596</b>
<b>Changes in total unrestricted net assets</b>	<b>190,603</b>	<b>183,760</b>
Changes in temporarily restricted net assets:		
Contributions and grants	464,165	230,111
Interest and dividends, net	9,991	7,094
Net realized and unrealized gains on investments	8,667	13,538
Net assets released from restrictions	(143,062)	(393,161)
Appropriation of investment assets	(18,658)	(19,880)
<b>Changes in total temporarily restricted net assets</b>	<b>321,103</b>	<b>(162,298)</b>
<b>Changes in total net assets</b>	<b>511,706</b>	<b>21,462</b>
<b>Net assets, beginning of year</b>	<b>8,012,608</b>	<b>7,991,146</b>
<b>Net assets, end of year</b>	<b>\$ 8,524,314</b>	<b>\$ 8,012,608</b>

See accompanying notes to financial statements and independent auditors' report.

**ROBERT POTTER LEAGUE FOR ANIMALS, INC.**  
**STATEMENT OF CASH FLOWS**  
**Year Ended July 31, 2011**  
**(With Comparative Totals for the Year Ended July 31, 2010)**



	<b>2011</b>	<b>2010</b>
<b>Cash Flows from Operating Activities:</b>		
Changes in total net assets	\$ 511,706	\$ 21,462
Adjustments to reconcile changes in total net assets to net cash provided (used) by operating activities:		
Depreciation	338,363	336,045
Bad debt expense	4,095	16,927
Net realized and unrealized (gain) loss on investments	(2,102)	9,734
Contributions restricted for property and equipment	(702,389)	(356,355)
Changes in operating assets and liabilities:		
Service receivables	(8,805)	(8,729)
Prepaid expenses and other assets	1,651	33,451
Accounts payable	(22,801)	(227,288)
Accrued expenses	(1,191)	15,243
<b>Net cash provided (used) by operating activities</b>	<b>118,527</b>	<b>(159,510)</b>
<b>Cash Flows from Investing Activities:</b>		
Purchase of property and equipment	(1,244)	(47,853)
Purchases of investments	(653,157)	(939,764)
Proceeds from sale of investments	1,286,972	927,049
<b>Net cash provided (used) by investing activities</b>	<b>632,571</b>	<b>(60,568)</b>
<b>Cash Flows from Financing Activities:</b>		
Change in unconditional promises to give	(305,636)	162,244
Contributions restricted for property and equipment	702,389	356,355
Repayments on revolving line of credit	(1,247,719)	(150,115)
<b>Net cash provided (used) by financing activities</b>	<b>(850,966)</b>	<b>368,484</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>(99,868)</b>	<b>148,406</b>
<b>Cash and Cash Equivalents, beginning of year</b>	<b>493,381</b>	<b>344,975</b>
<b>Cash and Cash Equivalents, end of year</b>	<b>\$ 393,513</b>	<b>\$ 493,381</b>

**ROBERT POTTER LEAGUE FOR ANIMALS, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**Year Ended July 31, 2011**  
**(With Comparative Totals for the Year Ended July 31, 2010)**

	2011						2010	
	Program Services		Supporting Services		Total Support Services	Total Expenses	Total Expenses	Total Expenses
	Shelter Services	Education & Training Services	Total Program Services	Fundraising				
Salaries and wages	\$ 348,418	\$ 120,779	\$ 469,197	\$ 128,975	\$ 50,401	\$ 179,376	\$ 648,573	\$ 685,742
Professional fees	7,786	1,570	9,356	2,900	4,000	6,900	16,256	17,487
Program supplies	21,608	2,213	23,821	12,144	5,777	17,921	41,742	48,833
Veterinary fees and supplies	83,393	-	83,393	-	-	-	83,393	96,874
Occupancy costs	50,989	14,779	65,768	1,365	7,343	8,708	74,476	92,965
Printing and publications	4,407	12,600	17,007	27,496	444	27,940	44,947	40,866
Employee benefits	28,649	11,222	39,871	14,457	9,274	23,731	63,602	66,285
Interest expense	45,788	13,249	59,037	859	6,420	7,279	66,316	65,454
Payroll taxes	31,872	10,949	42,821	10,684	4,735	15,419	58,240	57,586
Fees and other miscellaneous expenses	2,732	411	3,143	75	1,077	1,152	4,295	11,827
Advertising	5,422	1,204	6,626	4,306	320	4,626	11,252	9,133
Postage	2,398	1,342	3,740	12,630	630	13,260	17,000	17,700
Insurance	14,512	4,414	18,926	1,508	4,443	5,951	24,877	22,424
Food costs	6,293	199	6,492	-	-	-	6,492	7,029
Repairs and maintenance	21,449	6,218	27,667	-	8,099	8,099	35,766	29,430
Computer expenses	9,175	20,630	29,805	2,814	12,588	15,402	45,207	45,788
Training and strategic planning	132	45	177	-	6,645	6,645	6,822	45,965
Shelter expenses	1,828	1,995	3,823	-	-	-	3,823	5,630
Contracted labor	-	7,990	7,990	-	15,431	15,431	23,421	31,483
Telephone	2,237	746	2,983	2,236	2,237	4,473	7,456	7,166
Transport fees and travel expenses	10,967	20	10,987	1,425	987	2,412	13,399	13,252
Bad debt expense	1,820	-	1,820	2,275	-	2,275	4,095	16,927
Total expenses before depreciation	701,875	232,575	934,450	226,149	140,851	367,000	1,301,450	1,435,846
Depreciation	233,625	67,596	301,221	4,383	32,759	37,142	338,363	336,045
<b>Total expenses</b>	<b>\$ 935,500</b>	<b>\$ 300,171</b>	<b>\$ 1,235,671</b>	<b>\$ 230,532</b>	<b>\$ 173,610</b>	<b>\$ 404,142</b>	<b>\$ 1,639,813</b>	<b>\$ 1,771,891</b>

See accompanying notes to financial statements and independent auditors' report.

**ROBERT POTTER LEAGUE FOR ANIMALS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**Year Ended July 31, 2011**



**1. Nature of Operations**

Robert Potter League for Animals, Inc. (the League), a not-for-profit organization, originally founded in 1929, is dedicated to the prevention of inhumane treatment towards animals. The League provides care and shelter for lost or unwanted animals and, through the education of the public, helps secure their future.

**2. Summary of Significant Accounting Policies**

This summary of significant accounting policies is presented to assist the reader in understanding the League's financial statements. The financial statements and notes are representations of the League's management, who are 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.

***Basis of Presentation***

The net assets of the League have been recorded in three different classifications, as follows:

***Unrestricted net assets*** - consist of those funds over which management and the Board of Directors of the League retain full control to use in achieving any of their organizational purposes. This group also includes any board-designated net assets which represent unrestricted net assets that the Board of Directors has voluntarily limited.

***Temporarily restricted net assets*** - consist of those funds which are restricted for a specific purpose. When a donor restriction expires, either by the passage of a stipulated time restriction or by the accomplishment of a specific purpose restriction, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities and changes in net assets as net assets released from restrictions. The League has elected, however, to report restricted contributions whose restrictions are met in the same reporting period as they are received as unrestricted support.

Temporarily restricted net assets also include the unappropriated net appreciation on endowment assets. These amounts are considered temporarily restricted until appropriated by the Board of Directors in accordance with the League's spending policy.

***Permanently restricted net assets*** - consist of those funds permanently restricted by outside sources, which require that the principal be invested in perpetuity and only the income be utilized by the League. Income may be utilized for unrestricted purposes or temporarily restricted purposes as established by the donor.



**ROBERT POTTER LEAGUE FOR ANIMALS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**Year Ended July 31, 2011**

***Performance Indicator***

In the accompanying statement of activities and changes in net assets, the primary indicator of the League's results is "changes in unrestricted net assets from operations." As such it includes revenues and support and expenses related to the ongoing operations of the League. Transactions such as investment earnings, unrestricted contributions and grants related to real property, and net assets released from restrictions related to the collection of unconditional promises to give are included as a component of non-operating revenue and support on the statement of activities and changes in net assets.

***Cash and Cash Equivalents***

Cash and cash equivalents include cash on hand, demand deposits with financial institutions, and all liquid debt instruments purchased with an original maturity of three months or less, that have not been restricted by the donor or Board for long-term purposes.

***Service Receivables***

The League carries its receivables at anticipated net realizable value. Doubtful accounts are provided for on the basis of anticipated collection losses. The estimated losses are determined from historical collection experience and a review of outstanding receivables. The League does not accrue interest on receivables. A receivable is considered past due if the League has not received payment within stated terms. After all attempts to collect a receivable have failed, the receivable is written off against the allowance for doubtful accounts. Management believes that all receivables are collectible as of July 31, 2011.

***Unconditional Promises to Give***

Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of the estimated future cash flows.

***Inventories***

Inventories are stated at the lower of cost (first-in, first-out) or market. Inventories consist primarily of various animal products sold at the shelter and are included in prepaid expenses and other assets on the statement of financial position.

***Property and Equipment***

Property and equipment are stated at cost or, if donated, at the fair market value at the date of the gift. Expenditures for maintenance and repairs are expensed as incurred. Renewals and betterments over \$1,000 that materially extend the life of the assets are capitalized. Depreciation is computed on the straight-line method over the estimated useful lives of the related assets, which range from 3 to 30 years.

**ROBERT POTTER LEAGUE FOR ANIMALS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**Year Ended July 31, 2011**

***Investments***

The League values its investments using the fair value method. In accordance with authoritative guidance, each of the League's fair value measurements is categorized into one of the following three levels based on the lowest level input that is significant to the fair value measurement in its entirety:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities the League has the ability to access.

Level 2 inputs (other than quoted prices included within level 1) that are observable for the asset or liability, either directly or indirectly.

Level 3 are unobservable inputs for the asset or liability and rely on management's own judgment about the assumptions that market participants would use in pricing the asset or liability. The unobservable inputs are developed based on the best information available in the circumstances and may include the League's own data.

The League reports investments at fair value on a recurring basis. These investments are classified as level 1 within the fair value hierarchy.

Level 1 investments owned and listed on a National Securities Exchange are valued at the last recorded sales price as of the financial statement reporting date, or in the absence of recorded sales, at the last quoted bid price reported as of the financial statement reporting date.

***Revenue Recognition***

Revenue is substantially derived from private contributions and grants. All contributions and grants are considered to be available for use by the various programs and general operations of the League unless specifically restricted by the donor. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions.

The League recognizes service and contract fees when services to clients have been rendered and/or contractual obligations have been met.

***Contributed Goods and Services***

The League receives support in the form of non-cash contributions from various businesses and individuals to support its program mission. Contributions of non-cash assets are recorded at their fair market values in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills and are provided by individuals possessing such skills, such as veterinary services, are recorded at their fair values in the period received.

**ROBERT POTTER LEAGUE FOR ANIMALS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**Year Ended July 31, 2011**

The fair value of these contributed goods and services is included in contributions and grants in the statement of activities and changes in net assets, except for those amounts benefitting fundraising events of the League, which are included in fundraising events in the statement of activities and changes in net assets. For the year ended July 31, 2011, the value of contributed goods and services was \$196,539.

***Income Taxes***

The League is exempt from income taxes as a public charity under Section 501(c)(3) of the Internal Revenue Code. Management believes that the League operates in a manner consistent with their tax-exempt status at both a state and Federal level.

The League annually files IRS Form 990 – *Return of Organization Exempt From Income Tax* reporting various information that the IRS uses to monitor the activities of tax-exempt entities. These tax returns are subject to review by the taxing authorities. The federal income tax returns for 2008, 2009, and 2010 are subject to examination by the IRS, generally for three years after they were filed. The League currently has no tax examinations in progress.

***Concentrations of Credit Risk***

The financial instruments that potentially subject the League to concentrations of credit risk consist principally of cash and cash equivalents, unconditional promises to give and investments.

The League maintains its operating accounts in one local financial institution. The balances are insured by the Federal Deposit Insurance Corporation up to specified limits. From time to time, the League had bank balances in excess of federally insured limits.

At year-end, an unconditional promise to give from one donor was approximately \$350,000, which represents 71% of total unconditional promises to give.

The League's investments are maintained in a diversified portfolio in an attempt to minimize potential risk associated with marketable securities. At year-end, management does not believe that significant credit risk exists relative to the investments (note 5).

***Allocation of Indirect Costs***

Certain costs of the League benefit more than one program and/or support service. Accordingly, these costs have been allocated in a systematic and rational manner among the programs benefited. Allocation factors used are space, burden on IT system and full-time employees.

**ROBERT POTTER LEAGUE FOR ANIMALS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**Year Ended July 31, 2011**

***Occupancy Expenses***

The League's animal shelter is located on land owned by the State of Rhode Island. The League leases the land from the State of Rhode Island for one dollar per year under a lease agreement which expires December 31, 2053. The fair value of this lease cannot be determined at this time and is not included in the League's statement of activities and changes in net assets.

***Advertising Costs***

The League expenses advertising costs as they are incurred. Such advertising consists primarily of newspaper advertisements promoting animals available for adoption and any of the League's special events. As of July 31, 2011, advertising expense was approximately \$49,400, of which, approximately \$39,000 was donated in-kind. Of the total advertising expense, approximately \$38,400 is included in fundraising events, net in the statement of activities and changes in net assets.

***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 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. Accordingly, actual results could differ from those estimates.

***Reclassifications***

Certain amounts in the 2010 financial statements have been reclassified to conform to the 2011 financial statement presentation.

***Subsequent Events***

Management of the League has evaluated subsequent events through October 21, 2011, which is the date these financial statements were available to be issued.

**ROBERT POTTER LEAGUE FOR ANIMALS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**Year Ended July 31, 2011**

**3. Unconditional Promises to Give**

Unconditional promises to give consist of promises to give from contributors over the next several years to support the League's charitable mission. The promised contributions due are as follows:

Within one year	\$	160,961
One to two years		91,417
Two to three years		88,642
Three to four years		75,000
Thereafter		78,000
Unconditional promises to give	\$	494,020

During the year ended July 31, 2011, the League was named as a beneficiary of two bequests. At which time as the first estate is settled, after all taxes, debts and expenses are paid, the League will receive a maximum of \$500,000. The funds received will be unrestricted for general purposes. As the final settlement is contingent upon the sale of property, the bequest has not been recorded in the statement of activities and changes in net assets.

At which time as the second estate is settled, after all taxes, debts and expenses and other named beneficiaries are paid, the League will receive the balance of the trust funds. As of the date these financial statements were issued, no estimate was available as to the anticipated proceeds; as such, the bequest has not been recorded in the statement of activities and changes in net assets.

**4. Property and Equipment**

Property and equipment consisted of the following:

Buildings	\$	8,720,457
Leasehold improvements		7,244
Office equipment		248,774
Computer software		28,245
Vehicle		14,283
		9,019,003
Less accumulated depreciation		995,422
Property and equipment, net	\$	8,023,581

**ROBERT POTTER LEAGUE FOR ANIMALS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**Year Ended July 31, 2011**



**5. Investments**

The League's investments measured at fair value on a recurring basis are all considered Level 1 and consist of the following:

Cash and Short-term Investments	\$	685,199
Equities:		
Basic materials		15,042
Consumer goods		13,674
Financial		39,944
Healthcare		8,514
Industrial goods		16,295
International		2,646
Services		22,172
Technology		113,460
Utilities		17,671
Total equities		249,418
Mutual Funds:		
Medium value		4,367
Small blend		4,033
Large blend		5,022
High yield		1,251
Intermediate term		6,778
Total mutual funds		21,451
Bonds:		
Agency bonds		152,638
Corporate bonds		406,214
Total bonds		558,852
Total investments	\$	1,514,920

The composition of the total return on investments is as follows:

Interest and dividends	\$	53,406
Net realized and unrealized losses		2,102
Investment fees		(12,581)
Total investment income	\$	42,927

**ROBERT POTTER LEAGUE FOR ANIMALS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**Year Ended July 31, 2011**

**6. Non-Revolving Line of Credit**

The League has a \$3,300,000 non-revolving line of credit agreement which was used predominately to finance the construction of the new shelter. Construction was completed in November 2008. On January 28, 2011 the League modified the terms of the loan. The line of credit is secured by certain investments with a carrying value of approximately \$1,047,000, included as part of investments, at fair value, on the statement of financial position. In addition, certain bequests, which have not been recorded in the financial statements due to uncertainty (note 3), are also pledged as collateral. Interest is fixed at 3.75% with monthly payments of interest only. A final payment of all unpaid principal and accrued interest is due and payable on July 31, 2012. As of July 31, 2011, the balance due on the line of credit is \$1,875,000.

**7. Temporarily Restricted Net Assets**

Temporarily restricted net assets consist of the following:

Restricted due to time	\$ 511,165
Animal care	37,190
Strategic planning	<u>11,082</u>
Temporarily restricted net assets	<u>\$ 559,437</u>

**8. Endowment and Permanently Restricted Net Assets**

The League's endowment consists of various funds established to prevent inhumane treatment towards animals, provide care and shelter for lost or unwanted animals and provide education to the public. The endowment includes donor-restricted endowment funds. As required by generally accepted accounting principles, net assets associated with endowment funds are reported in the financial statements based on the existence or absence of donor-imposed restrictions.

**ROBERT POTTER LEAGUE FOR ANIMALS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**Year Ended July 31, 2011**



***Interpretation of Relevant Law*** - The Rhode Island Uniform Prudent Management of Institutional Funds Act (RI UPMIFA) requires the preservation of the fair value of the original gift as of the gift date of the donor-imposed endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the League classifies as permanently restricted (a) the original value of the gift 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 accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the League in a manner consistent with the standard of prudence prescribed by RI UPMIFA.

Endowment net asset composition by type of fund at year-end is as follows:

	Permanently Restricted
Animal care, food and sheltering	\$ 178,312
General purposes	275,131
Total endowment funds	\$ 453,443

Changes in permanently restricted endowment net assets for the year ended July 31, 2011 are as follows:

Endowment net assets, beginning of year	\$ 453,443
Investment return:	
Interest and dividends, net	9,991
Net realized and unrealized gains	8,667
Total investment return	18,658
Appropriation of endowment assets for expenditure	(18,658)
Endowment net assets, end of year	\$ 453,443

***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 RI UPMIFA requires the League to retain as a fund of perpetual duration. There were no such deficiencies at July 31, 2011.



**ROBERT POTTER LEAGUE FOR ANIMALS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**Year Ended July 31, 2011**

***Return Objective and Risk Parameters*** - The League 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 maintain the purchasing power of the endowment assets. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the S&P 500 index while assuming a moderate level of investment risk. The League expects its endowment funds, over time, to provide an average rate of return of at least 5% annually. Actual results in any given year may vary from this amount.

***Spending Policy*** - The League has a policy of appropriating for expenditure each year 5% of its endowment fund's average fair value over the prior 12 quarters through the calendar year-end proceeding the fiscal year in which the expenditure is planned. However, this spending policy is adjusted annually based on current economic and operational needs with approval of its Board of Directors. In establishing this policy, the League considered the long-term expected return on its endowment. Accordingly, over the long-term, the League expects the current spending policy to allow its endowment to grow at a rate that preserves the purchasing power of the original investment.

***Strategies Employed for Achieving Objectives*** - To satisfy its long-term rate of return objectives, the League relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The League's goal is to have a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

**9. Employee Benefit Plans**

The League maintains a defined contribution retirement savings plan (the Plan) established under Section 403(b) of the Internal Revenue Code. The Plan covers all employees who meet certain eligibility requirements. Employees may elect to defer a percentage of their compensation into the Plan. Under the Plan, the League may contribute a voluntary matching contribution and/or a discretionary contribution. The League did not make any contributions to the Plan for the year ended July 31, 2011.

**10. Supplemental Cash Flow Information**

Cash paid for interest for the year ended July 31, 2011 was \$66,316.