

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

Financial Statements

Year Ended July 31, 2012

(With Independent Auditors' Report Thereon)

ROBERT POTTER LEAGUE FOR ANIMALS, INC.

FINANCIAL STATEMENTS

Year Ended July 31, 2012

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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 not-for-profit organization) as of July 31, 2012, and the related statements of activities, 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, 2011 financial statements and, in our report dated October 21, 2011, 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, 2012 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 19, 2012

ROBERT POTTER LEAGUE FOR ANIMALS, INC.
STATEMENT OF FINANCIAL POSITION
July 31, 2012
(With Comparative Totals at July 31, 2011)



	2012	2011
Assets		
Cash and cash equivalents	\$ 722,892	\$ 393,513
Service receivables	14,011	17,146
Unconditional promises to give	610,340	494,020
Prepaid expenses and other assets	41,118	13,689
Property and equipment, net	7,719,464	8,023,581
Investments, at fair value	1,430,586	1,514,920
Total Assets	\$ 10,538,411	\$ 10,456,869
Liabilities and Net Assets		
Liabilities:		
Non-revolving line of credit	\$ 342,778	\$ 1,875,000
Accounts payable	11,596	19,080
Accrued expenses	37,151	38,475
Total liabilities	391,525	1,932,555
Net Assets:		
Unrestricted:		
General	679,390	292,721
Investment in property and equipment, net	7,376,686	6,148,581
Board designated - debt reserve	-	1,070,132
Board designated - building reserve	25,000	-
Total unrestricted net assets	8,081,076	7,511,434
Temporarily restricted	712,367	559,437
Permanently restricted	1,353,443	453,443
Total net assets	10,146,886	8,524,314
Total Liabilities and Net Assets	\$ 10,538,411	\$ 10,456,869

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

ROBERT POTTER LEAGUE FOR ANIMALS, INC.
STATEMENT OF ACTIVITIES
Year Ended July 31, 2012
(With Comparative Totals for the Year Ended July 31, 2011)

	2012	2011
Changes in unrestricted operating net assets:		
Operating revenue and support:		
Contributions and grants	\$ 662,287	\$ 685,136
Events, net of direct expenses of \$231,025 (note 2)	256,938	228,079
Shelter services	295,176	276,305
Service contract fees	215,481	215,749
Sale of pet supplies, net	12,214	16,481
Appropriation of investment assets	-	117,000
Net assets released from restrictions	154,907	50,668
Total operating revenue and support	1,597,003	1,589,418
Program expenses:		
Shelter services	912,092	935,500
Education and training services	303,929	300,171
Total program expenses	1,216,021	1,235,671
Supporting services:		
Fundraising	236,131	230,532
Management and general	151,664	173,610
Total supporting services	387,795	404,142
Total operating expenses	1,603,816	1,639,813
Changes in unrestricted net assets from operations	(6,813)	(50,395)
Non-operating revenue and support:		
Contributions and grants	409,237	222,677
Interest and dividends, net	7,933	30,834
Net realized and unrealized losses on investments	22,473	(6,565)
Net assets released from restrictions	136,812	92,394
Appropriation of investment assets	-	(98,342)
Changes in non-operating revenue and support	576,455	240,998
Changes in total unrestricted net assets	569,642	190,603
Changes in temporarily restricted net assets:		
Contributions and grants	414,595	464,165
Interest and dividends, net	14,346	9,991
Net realized and unrealized gains on investments	15,708	8,667
Net assets released from restrictions	(291,719)	(143,062)
Appropriation of investment assets	-	(18,658)
Changes in total temporarily restricted net assets	152,930	321,103
Changes in permanently restricted net assets:		
Contributions and grants	900,000	-
Changes in total permanently restricted net assets	900,000	-
Change in total net assets	1,622,572	511,706
Net assets, beginning of year	8,524,314	8,012,608
Net assets, end of year	\$ 10,146,886	\$ 8,524,314

ROBERT POTTER LEAGUE FOR ANIMALS, INC.
STATEMENT OF CASH FLOWS
Year Ended July 31, 2012
(With Comparative Totals for the Year Ended July 31, 2011)

	2012	2011
Cash Flows from Operating Activities:		
Change in total net assets	\$ 1,622,572	\$ 511,706
Adjustments to reconcile change in total net assets to net cash provided by operating activities:		
Depreciation	333,117	338,363
Bad debt expense	5,130	4,095
Net realized and unrealized gain on investments	(38,181)	(2,102)
Contributions restricted for property and equipment	(12,659)	(702,389)
Contributions restricted for permanently restricted endowment	(900,000)	-
Changes in operating assets and liabilities:		
Service receivables	(1,995)	(8,805)
Prepaid expenses and other assets	(27,429)	1,651
Accounts payable	(7,484)	(22,801)
Accrued expenses	(1,324)	(1,191)
Net cash provided by operating activities	971,747	118,527
Cash Flows from Investing Activities:		
Purchase of property and equipment	(29,000)	(1,244)
Purchases of investments	(1,539,241)	(653,157)
Proceeds from sale of investments	1,661,756	1,286,972
Net cash provided by investing activities	93,515	632,571
Cash Flows from Financing Activities:		
Change in unconditional promises to give	(116,320)	(305,636)
Contributions restricted for property and equipment	12,659	702,389
Contributions restricted for permanently restricted endowment	900,000	-
Repayments on non-revolving line of credit	(1,532,222)	(1,247,719)
Net cash used by financing activities	(735,883)	(850,966)
Net Increase (Decrease) in Cash and Cash Equivalents	329,379	(99,868)
Cash and Cash Equivalents, beginning of year	393,513	493,381
Cash and Cash Equivalents, end of year	\$ 722,892	\$ 393,513

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

ROBERT POTTER LEAGUE FOR ANIMALS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended July 31, 2012
(With Comparative Totals for the Year Ended July 31, 2011)

	2012				2011			
	Program Services		Supporting Services		Program Services		Supporting Services	
	Shelter Services	Education & Training Services	Total Program Services	Fundraising	Management and General	Total Support Services	Total Expenses	Total Expenses
Salaries and wages	\$ 338,663	\$ 123,286	\$ 461,949	\$ 156,741	\$ 52,224	\$ 208,965	\$ 670,914	\$ 648,573
Professional fees	6,371	1,258	7,629	2,279	2,750	5,029	12,658	16,256
Program supplies	16,800	2,353	19,153	6,599	3,973	10,572	29,725	41,742
Veterinary fees and supplies	86,903	-	86,903	-	-	-	86,903	83,393
Occupancy costs	47,141	13,664	60,805	1,304	6,829	8,133	68,938	74,476
Printing and publications	5,006	18,339	23,345	18,668	680	19,348	42,693	44,947
Employee benefits	35,821	11,003	46,824	13,711	7,395	21,106	67,930	63,602
Interest expense	33,900	9,809	43,709	636	4,753	5,389	49,098	66,316
Payroll taxes	32,781	11,810	44,591	13,565	4,236	17,801	62,392	58,240
Fees and other miscellaneous expenses	4,832	359	5,191	928	2,064	2,992	8,183	4,295
Advertising	3,620	1,008	4,628	-	794	794	5,422	11,252
Postage	2,242	1,249	3,491	8,698	618	9,316	12,807	17,000
Insurance	14,423	4,323	18,746	1,786	4,172	5,958	24,704	24,877
Food costs	6,860	102	6,962	-	-	-	6,962	6,492
Repairs and maintenance	22,089	6,403	28,492	-	3,947	3,947	32,439	35,766
Computer expenses	8,180	18,088	26,268	2,483	12,130	14,613	40,881	45,207
Training and strategic planning	934	222	1,156	45	6,089	6,134	7,290	6,822
Shelter expenses	1,847	1,585	3,432	-	-	-	3,432	3,823
Contracted labor	-	11,760	11,760	-	-	-	11,760	23,421
Telephone	2,279	760	3,039	2,279	2,279	4,558	7,597	7,456
Transport fees and travel expenses	10,517	-	10,517	1,523	801	2,324	12,841	13,399
Bad debt expense	880	-	880	4,250	-	4,250	5,130	4,095
Total expenses before depreciation	682,089	237,381	919,470	235,495	115,734	351,229	1,270,699	1,301,450
Depreciation	230,003	66,548	296,551	636	35,930	36,566	333,117	338,363
Total expenses	\$ 912,092	\$ 303,929	\$ 1,216,021	\$ 236,131	\$ 151,664	\$ 387,795	\$ 1,603,816	\$ 1,639,813

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

ROBERT POTTER LEAGUE FOR ANIMALS, INC.
NOTES TO FINANCIAL STATEMENTS
Year Ended July 31, 2012

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 financial statements of the League have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables and other liabilities. 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 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, 2012

Performance Indicator

In the accompanying statement of activities, the primary indicator of the League's results is "changes in unrestricted net assets from operations." 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, depreciation 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.

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, 2012.

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 discounted and recorded at the net present value of the estimated future cash flows, when material. Conditional promises to give are not included in support until such time as the conditions are substantially met.

The League uses the allowance method to reflect uncollectible promises to give. The allowance is based on prior years' collection experience and management's analysis of the specific promises to give at the end of the year. At year end, management has deemed that an allowance is not necessary.

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.

ROBERT POTTER LEAGUE FOR ANIMALS, INC.
NOTES TO FINANCIAL STATEMENTS
Year Ended July 31, 2012

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.

Investments and Fair Value Measurements

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 by the League 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.

It is the League's policy to deduct its investment management fees from investment return.

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.

ROBERT POTTER LEAGUE FOR ANIMALS, INC.
NOTES TO FINANCIAL STATEMENTS
Year Ended July 31, 2012

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.

The fair value of these contributed goods and services is included in contributions and grants in the statement of activities, except for those amounts benefitting fundraising events of the League, which are included in fundraising events in the statement of activities. For the year ended July 31, 2012, the value of contributed goods and services was \$202,277.

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, generally for a period of three years after they were filed. The tax returns for 2009, 2010, and 2011 are open to examination by the IRS. 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, unconditional promises to give from two donors were approximately \$530,000, which represents 87% of total unconditional promises to give. Subsequent to year-end, \$320,000 of this amount was collected, the entire current portion of the amount.

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).

ROBERT POTTER LEAGUE FOR ANIMALS, INC.
NOTES TO FINANCIAL STATEMENTS
Year Ended July 31, 2012

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.

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.

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, 2012, advertising expense was approximately \$39,200, of which, approximately \$33,500 was donated in-kind. Of the total advertising expense, approximately \$34,100 is included in fundraising events, net in the statement of activities.

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.

Subsequent Events

Management of the League has evaluated subsequent events through October 19, 2012, 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, 2012

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	\$	368,917
One to two years		88,423
Two to three years		75,000
Three to four years		75,000
Thereafter		<u>3,000</u>
Unconditional promises to give	\$	<u>610,340</u>

In a prior year, the League was named as a beneficiary of a bequest. When the 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. During the year ended July 31, 2012, the League received \$900,000 as part of this bequest. The funds are permanently restricted with the income to be used for general purposes. As of the date these financial statements were issued, no estimate was available as to the anticipated remaining proceeds. Therefore the remainder of the bequest has not been recorded in the statement of activities.

During the year ended July 31, 2012, the League was named as a beneficiary of several other bequests for which partial proceeds have been received. Due to the uncertainty of the final settlements, no pledges have been recorded relating to the bequests. All amounts received have been included as part of non-operating contributions and grants.

4. Property and Equipment

Property and equipment consisted of the following:

Buildings	\$	8,720,457
Leasehold improvements		7,244
Office equipment and software		277,019
Vehicles		<u>43,283</u>
		9,048,003
Less accumulated depreciation		<u>1,328,539</u>
Property and equipment, net	\$	<u>7,719,464</u>

ROBERT POTTER LEAGUE FOR ANIMALS, INC.
NOTES TO FINANCIAL STATEMENTS
Year Ended July 31, 2012

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	\$	303,406
Equities:		
Basic materials		24,213
Consumer goods		33,903
Healthcare		24,708
Services		20,723
Technology		30,755
Other equities		39,884
Total equities		174,186
Preferred Stock		33,744
Mutual Funds:		
Multi-sector bond funds		46,419
Inflation protected bond funds		23,924
World allocation funds		28,906
Commodities funds		17,612
Bank loan funds		30,224
Precious metals funds		16,306
Natural resources funds		16,251
Energy funds		29,661
Conservative allocation funds		107,168
Intermediate term funds		190,407
Other mutual funds		70,298
Total mutual funds		577,176
Commodities – precious metals		14,934
Bonds:		
Agency bonds		31,025
Corporate bonds		296,115
Total bonds		327,140
Total investments	\$	1,430,586

ROBERT POTTER LEAGUE FOR ANIMALS, INC.
NOTES TO FINANCIAL STATEMENTS
Year Ended July 31, 2012

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

Interest and dividends	\$	34,761
Net realized and unrealized gains		38,181
Investment fees		<u>(12,482)</u>
Total investment income	\$	<u>60,460</u>

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 April 2, 2012, the terms of the loan were modified. A bequest included in unconditional promises to give on the statement of financial position, having a remaining balance to be received of \$250,000 at year-end, was pledged as collateral. The line requires monthly principal payments of \$10,000, plus interest at the bank's prime rate plus one percent (4.25% at year-end). A final payment of all unpaid principal and accrued interest is due and payable on July 31, 2015. As of July 31, 2012, the balance due on the line of credit is \$342,778.

Subsequent to year-end the League paid the balance on the line of credit in full.

7. Temporarily Restricted Net Assets

Temporarily restricted net assets consist of the following:

Restricted due to time, for general operations	\$	624,351
Animal care		44,137
Fetching Friends program		8,125
Trees and grounds		5,700
Appreciation of donor restricted endowment funds (note 8)		<u>30,054</u>
Temporarily restricted net assets	\$	<u>712,367</u>

Of the amounts restricted due to time, approximately \$380,000 is expected to be released within one year.

ROBERT POTTER LEAGUE FOR ANIMALS, INC.
NOTES TO FINANCIAL STATEMENTS
Year Ended July 31, 2012

8. Endowment and Permanently Restricted Net Assets

The League's endowment consists of various donor-restricted funds established to prevent inhumane treatment towards animals, provide care and shelter for lost or unwanted animals and provide education to the public. 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.

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:

	Temporarily Restricted	Permanently Restricted	Total
Animal care, food and sheltering	\$ 3,960	\$ 178,312	\$ 182,272
General purposes	26,094	1,175,131	1,201,225
Total endowment funds	\$ 30,054	\$ 1,353,443	\$ 1,383,497

ROBERT POTTER LEAGUE FOR ANIMALS, INC.
NOTES TO FINANCIAL STATEMENTS
Year Ended July 31, 2012

Changes in permanently restricted endowment net assets for the year ended July 31, 2012 are as follows:

	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ -	\$ 453,443	\$ 453,443
Contributions	-	900,000	900,000
Investment return:			
Interest and dividends, net	14,346	-	14,346
Net realized and unrealized gains	15,708	-	15,708
Total investment return	30,054	-	30,054
Endowment net assets, end of year	\$ 30,054	\$ 1,353,443	\$ 1,383,497

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, 2012.

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 up to 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; no appropriation was made during the year ended July 31, 2012. In establishing this policy, the League considers 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.

ROBERT POTTER LEAGUE FOR ANIMALS, INC.
NOTES TO FINANCIAL STATEMENTS
Year Ended July 31, 2012

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, 2012.

In addition, the League provides a deferred compensation benefit in the form of a split dollar life insurance policy to the Executive Director. For the year ended July 31, 2012, expenditures related to this benefit were \$2,500. The net cash surrender value of approximately \$24,000 is included in prepaid expenses and other assets on the statement of financial position.

10. Supplemental Cash Flow Information

Cash paid for interest for the year ended July 31, 2012 was \$49,098.