

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

Financial Statements

Year Ended July 31, 2013

(With Independent Auditors' Report Thereon)



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ROBERT POTTER LEAGUE FOR ANIMALS, INC.

FINANCIAL STATEMENTS

Year Ended July 31, 2013

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of Robert Potter League for Animals, Inc. (the League) (a not-for-profit organization), which comprise the statement of financial position as of July 31, 2013, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the League'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 League's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the League as of July 31, 2013, 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.

Report on Summarized Comparative Information

We have previously audited the League's July 31, 2012 financial statements and, in our report dated October 19, 2012, we expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended July 31, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Kalu, Litwin, Kenya & Co., Ltd

October 21, 2013

ROBERT POTTER LEAGUE FOR ANIMALS, INC.
STATEMENT OF FINANCIAL POSITION
July 31, 2013
(With Comparative Totals at July 31, 2012)



	2013	2012
Assets		
Cash and cash equivalents	\$ 1,099,079	\$ 722,892
Service receivables	12,263	14,011
Unconditional promises to give	662,616	610,340
Prepaid expenses and other assets	39,092	41,118
Property and equipment, net	7,399,638	7,719,464
Investments, at fair value	1,484,363	1,430,586
Total Assets	\$ 10,697,051	\$ 10,538,411
Liabilities and Net Assets		
Liabilities:		
Non-revolving line of credit	\$ -	\$ 342,778
Accounts payable	44,558	11,596
Accrued expenses	41,212	37,151
Total liabilities	85,770	391,525
Net Assets:		
Unrestricted:		
General	1,024,886	679,390
Investment in property and equipment, net	7,399,638	7,376,686
Board designated - building reserve	51,250	25,000
Total unrestricted net assets	8,475,774	8,081,076
Temporarily restricted	782,064	712,367
Permanently restricted	1,353,443	1,353,443
Total net assets	10,611,281	10,146,886
Total Liabilities and Net Assets	\$ 10,697,051	\$ 10,538,411

ROBERT POTTER LEAGUE FOR ANIMALS, INC.
STATEMENT OF ACTIVITIES
Year Ended July 31, 2013
(With Comparative Totals for the Year Ended July 31, 2012)



	2013	2012
Changes in unrestricted operating net assets:		
Operating revenue and support:		
Contributions and grants	\$ 638,481	\$ 665,687
Events, net of direct expenses of \$282,933 (note 2)	231,048	256,938
Shelter services	287,211	291,776
Service contract fees	223,571	215,481
Sale of pet supplies, net	7,119	12,214
Appropriation of endowment earnings	50,000	-
Net assets released from restrictions	131,311	154,907
Total operating revenue and support	1,568,741	1,597,003
Program expenses:		
Shelter services	968,281	912,092
Education and training services	309,649	303,929
Total program expenses	1,277,930	1,216,021
Supporting services:		
Fundraising	286,196	236,131
Management and general	159,599	151,664
Total supporting services	445,795	387,795
Total operating expenses	1,723,725	1,603,816
Changes in unrestricted net assets from operations	(154,984)	(6,813)
Non-operating revenue and support:		
Contributions and grants	166,077	409,237
Investment return	7,545	30,406
Net assets released from restrictions	376,060	136,812
Changes in non-operating revenue and support	549,682	576,455
Changes in total unrestricted net assets	394,698	569,642
Changes in temporarily restricted net assets:		
Contributions and grants	559,234	414,595
Investment return	67,834	30,054
Net assets released from restrictions	(507,371)	(291,719)
Appropriation of endowment earnings	(50,000)	-
Changes in total temporarily restricted net assets	69,697	152,930
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	464,395	1,622,572
Net assets, beginning of year	10,146,886	8,524,314
Net assets, end of year	\$ 10,611,281	\$ 10,146,886

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

ROBERT POTTER LEAGUE FOR ANIMALS, INC.
STATEMENT OF CASH FLOWS
Year Ended July 31, 2013
(With Comparative Totals for the Year Ended July 31, 2012)

	2013	2012
Cash Flows from Operating Activities:		
Change in total net assets	\$ 464,395	\$ 1,622,572
Adjustments to reconcile change in total net assets to net cash provided by operating activities:		
Depreciation	329,922	333,117
Bad debt expense	27,120	5,130
Net realized and unrealized gain on investments	(31,481)	(38,181)
Contributions restricted for property and equipment	(2,970)	(12,659)
Contributions restricted for permanently restricted endowment	-	(900,000)
Changes in operating assets and liabilities:		
Service receivables	878	(1,995)
Prepaid expenses and other assets	2,026	(27,429)
Accounts payable	32,962	(7,484)
Accrued expenses	4,061	(1,324)
Net cash provided by operating activities	826,913	971,747
Cash Flows from Investing Activities:		
Purchase of property and equipment	(10,096)	(29,000)
Purchases of investments	(310,158)	(1,539,241)
Proceeds from sale of investments	287,862	1,661,756
Net cash provided (used) by investing activities	(32,392)	93,515
Cash Flows from Financing Activities:		
Change in unconditional promises to give	(78,526)	(116,320)
Contributions restricted for property and equipment	2,970	12,659
Contributions restricted for permanently restricted endowment	-	900,000
Repayments on non-revolving line of credit	(342,778)	(1,532,222)
Net cash used by financing activities	(418,334)	(735,883)
Net Increase in Cash and Cash Equivalents	376,187	329,379
Cash and Cash Equivalents, beginning of year	722,892	393,513
Cash and Cash Equivalents, end of year	\$ 1,099,079	\$ 722,892

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

ROBERT POTTER LEAGUE FOR ANIMALS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended July 31, 2013
(With Comparative Totals for the Year Ended July 31, 2012)

	2013					2012		
	Program Services		Supporting Services			Total Expenses	Total Expenses	
	Shelter Services	Education & Training Services	Total Program Services	Fundraising	Management and General			Total Support Services
Salaries and wages	\$ 359,758	\$ 125,531	\$ 485,289	\$ 167,851	\$ 56,082	\$ 223,933	\$ 709,222	\$ 670,914
Professional fees	8,568	1,838	10,406	3,399	3,956	7,355	17,761	12,658
Program supplies	29,374	2,511	31,885	5,793	13,577	19,370	51,255	29,725
Veterinary fees and supplies	100,929	-	100,929	-	-	-	100,929	86,903
Occupancy costs	56,156	16,277	72,433	1,700	8,145	9,845	82,278	68,938
Printing and publications	4,347	19,960	24,307	18,983	511	19,494	43,801	42,693
Employee benefits	37,348	15,069	52,417	21,058	7,244	28,302	80,719	67,930
Interest expense	1,060	306	1,366	20	149	169	1,535	49,098
Payroll taxes	34,249	11,415	45,664	14,529	5,637	20,166	65,830	62,392
Fees and other miscellaneous expenses	5,421	85	5,506	499	3,834	4,333	9,839	8,183
Advertising	4,091	3,525	7,616	-	192	192	7,808	5,422
Postage	2,126	1,175	3,301	11,215	495	11,710	15,011	12,807
Insurance	15,202	4,528	19,730	2,087	4,367	6,454	26,184	24,704
Food costs	10,761	500	11,261	-	-	-	11,261	6,962
Repairs and maintenance	34,080	9,878	43,958	-	4,706	4,706	48,664	32,439
Computer expenses	13,942	12,490	26,432	4,403	10,971	15,374	41,806	40,881
Training and strategic planning	5,893	248	6,141	738	4,367	5,105	11,246	7,290
Shelter expenses	8,133	2,008	10,141	-	-	-	10,141	3,432
Contracted labor	-	15,530	15,530	-	-	-	15,530	11,760
Telephone	2,328	776	3,104	2,328	2,328	4,656	7,760	7,597
Transport fees and travel expenses	5,099	89	5,188	1,819	1,096	2,915	8,103	12,841
Bad debt expense	1,620	-	1,620	25,500	-	25,500	27,120	5,130
Total expenses before depreciation	740,485	243,739	984,224	281,922	127,657	409,579	1,393,803	1,270,699
Depreciation	227,796	65,910	293,706	4,274	31,942	36,216	329,922	333,117
Total expenses	\$ 968,281	\$ 309,649	\$ 1,277,930	\$ 286,196	\$ 159,599	\$ 445,795	\$ 1,723,725	\$ 1,603,816

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

ROBERT POTTER LEAGUE FOR ANIMALS, INC.
NOTES TO THE FINANCIAL STATEMENTS
Year Ended July 31, 2013

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 is responsible for the integrity and objectivity of the financial statements. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

Basis of Presentation

The financial statements of the League have been prepared on the accrual basis of accounting and, in accordance with authoritative guidance, report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

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 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.

ROBERT POTTER LEAGUE FOR ANIMALS, INC.
NOTES TO THE FINANCIAL STATEMENTS
Year Ended July 31, 2013

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. 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, 2013.

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 the discount is 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.

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 \$5,000 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.

ROBERT POTTER LEAGUE FOR ANIMALS, INC.
NOTES TO THE FINANCIAL STATEMENTS
Year Ended July 31, 2013

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. The League recognizes contributions and grants in the fiscal year in which the contribution is made. Contributions and grants are recorded as unrestricted, temporarily restricted, or permanently restricted depending on the existence and/or nature of any donor imposed restrictions. However, it is the policy of the League to show temporarily restricted assets whose restrictions are met in the same reporting period as they are received as unrestricted support. The League recognizes revenue for events when the event takes place.

The League recognizes service and contract fees when services to clients have been rendered and/or contractual obligations have been met. The League recognizes sales of pet supplies when the sale takes place.

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 THE FINANCIAL STATEMENTS
Year Ended July 31, 2013

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 events, net in the statement of activities. For the year ended July 31, 2013, the value of contributed goods and services was \$244,844, of which approximately \$220,000 benefitted events.

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 2010, 2011, and 2012 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, including at year-end, the League had bank balances in excess of federally insured limits.

At year-end, unconditional promises to give from two donors were approximately \$610,000, which represents 92% of total unconditional promises to give. Subsequent to year-end, \$470,000 of this amount was collected, the entire current portion of the amount.

Investment securities are exposed to various risks, such as interest rates, market and credit risks. Due to the level of risk associated with certain investment securities, it is possible that changes in values of investment securities could occur in the near term and that such change could materially affect investment balances and activity included in the financial statements. The League's investments are maintained in a diversified portfolio in an attempt to minimize potential risk associated with market 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 THE FINANCIAL STATEMENTS
Year Ended July 31, 2013

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, 2013, advertising expense was approximately \$107,800, of which, approximately \$99,300 was donated in-kind. Of the total advertising expense, approximately \$100,100 is included in 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.

Reclassification

Certain 2012 account balances were reclassified to conform to the 2013 financial statement presentation.

Subsequent Events

Management of the League has evaluated subsequent events through October 21, 2013, which is the date these financial statements were available to be issued.

ROBERT POTTER LEAGUE FOR ANIMALS, INC.
NOTES TO THE FINANCIAL STATEMENTS
Year Ended July 31, 2013



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	\$ 507,749
One to two years	75,000
Two to three years	75,000
Three to four years	<u>4,867</u>
Unconditional promises to give	<u>\$ 662,616</u>

The League has been 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.

The League has been named as a beneficiary of several other bequests. Partial proceeds have been received for some of these bequests. 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	244,181
Vehicles	<u>43,283</u>
	9,015,165
Less accumulated depreciation	<u>1,615,527</u>
Property and equipment, net	<u>\$ 7,399,638</u>

ROBERT POTTER LEAGUE FOR ANIMALS, INC.
NOTES TO THE FINANCIAL STATEMENTS
Year Ended July 31, 2013

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	\$	113,899
Equities:		
Basic materials		36,311
Consumer goods		51,010
Services		35,827
Technology		51,979
Industrial goods		31,079
Other equities		51,460
Total equities		257,666
Mutual Funds:		
Small blend		24,846
Large value		26,438
Foreign large value		44,335
Nontraditional bond		49,963
World allocation funds		81,818
Diversified emerging markets		28,378
Bank loan funds		47,350
Natural resources funds		27,687
Financial funds		47,131
World stock funds		25,608
Conservative allocation funds		77,291
Intermediate term funds		136,279
Other exchange traded funds		37,150
Other mutual funds		160,323
Total mutual funds		814,597
Corporate bonds		298,201
Total investments	\$	1,484,363

ROBERT POTTER LEAGUE FOR ANIMALS, INC.
NOTES TO THE FINANCIAL STATEMENTS
Year Ended July 31, 2013

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

Interest and dividends	\$	56,710
Net realized and unrealized gains		31,481
Investment fees		<u>(12,812)</u>
Total investment return	\$	<u>75,379</u>

6. Non-Revolver Line of Credit

The League had a \$3,300,000 non-revolving line of credit agreement which was used predominately to finance the construction of the new shelter. During the year ended July 31, 2013 the League paid the balance on the line of credit in full and subsequently closed the account.

7. Temporarily Restricted Net Assets

Temporarily restricted net assets consist of the following:

Restricted due to time, for general operations	\$	674,879
Animal care		31,885
Veterinary suite		19,170
Fetching Friends program		2,441
Building and grounds		5,801
Appreciation of donor restricted endowment funds (note 8)		<u>47,888</u>
Temporarily restricted net assets	\$	<u>782,064</u>

Of the amounts restricted due to time, approximately \$520,000 is expected to be released within one year.

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.

ROBERT POTTER LEAGUE FOR ANIMALS, INC.
NOTES TO THE FINANCIAL STATEMENTS
Year Ended July 31, 2013

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	\$ 6,309	\$ 178,312	\$ 184,621
General purposes	41,579	1,175,131	1,216,710
Total endowment funds	\$ 47,888	\$ 1,353,443	\$ 1,401,331

Changes in permanently restricted endowment net assets for the year ended July 31, 2013 are as follows:

	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 30,054	\$ 1,353,443	\$ 1,383,497
Contributions	-	-	-
Investment return:			
Interest and dividends, net	40,240	-	40,240
Net realized and unrealized gains	27,594	-	27,594
Total investment return	67,834	-	67,834
Endowment draw	(50,000)	-	(50,000)
Endowment net assets, end of year	\$ 47,888	\$ 1,353,443	\$ 1,401,331

ROBERT POTTER LEAGUE FOR ANIMALS, INC.
NOTES TO THE FINANCIAL STATEMENTS
Year Ended July 31, 2013



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, 2013.

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. 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.

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, 2013.

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In addition, the League provides a deferred compensation benefit in the form of a split dollar life insurance policy to the Executive Director. There were no expenditures related to this benefit for the year ended July 31, 2013. The net cash surrender value of approximately \$25,000 is included in prepaid expenses and other assets on the statement of financial position.

Subsequent to year-end, the League has begun the process of converting to a SIMPLE IRA plan under section 408(p) of the Internal Revenue Code.

10. Supplemental Cash Flow Information

Cash paid for interest for the year ended July 31, 2013 was \$1,535.