

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

**Financial Statements**

**Year Ended July 31, 2017**

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

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

**FINANCIAL STATEMENTS**

**Year Ended July 31, 2017**

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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. (a not-for-profit organization) (the League), which comprise the statement of financial position as of July 31, 2017, and the related statements of activities, cash flows and functional expenses 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to 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 Robert Potter League for Animals, Inc. as of July 31, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance 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, 2016 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated October 25, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended July 31, 2016, is consistent, in all material respects, with the audited financial statements and related notes to the financial statements from which it has been derived.

*Kahn, Litwin, Kenya & Co., Ltd.*

November 6, 2017

**ROBERT POTTER LEAGUE FOR ANIMALS, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**July 31, 2017**  
**(With Comparative Totals at July 31, 2016)**



	<b>2017</b>	<b>2016</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 895,281	\$ 904,453
Service receivables	29,803	24,549
Unconditional promises to give	17,407	29,661
Prepaid expenses and other assets	27,050	50,371
Property and equipment, net	6,213,438	6,533,373
Investments, at fair value	4,286,680	3,849,472
	<b>\$ 11,469,659</b>	<b>\$ 11,391,879</b>
<b>Liabilities and Net Assets</b>		
<b>Liabilities:</b>		
Accounts payable	\$ 29,494	\$ 37,670
Accrued expenses	76,281	63,833
<b>Total liabilities</b>	<b>105,775</b>	<b>101,503</b>
<b>Net Assets:</b>		
<b>Unrestricted:</b>		
General	212,191	369,238
Investment in property and equipment, net	6,213,438	6,533,373
Board designated - operating reserve	639,100	577,100
Board designated - building reserve	170,047	138,140
Board designated - long-term investment reserve	2,186,863	1,362,580
<b>Total unrestricted net assets</b>	<b>9,421,639</b>	<b>8,980,431</b>
Temporarily restricted	481,925	849,625
Permanently restricted	1,460,320	1,460,320
<b>Total net assets</b>	<b>11,363,884</b>	<b>11,290,376</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 11,469,659</b>	<b>\$ 11,391,879</b>

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

**ROBERT POTTER LEAGUE FOR ANIMALS, INC.**  
**STATEMENT OF ACTIVITIES**  
**Year Ended July 31, 2017**  
**(With Comparative Totals for the Year Ended July 31, 2016)**



	<b>2017</b>	<b>2016</b>
Changes in unrestricted operating net assets:		
Operating revenue and support:		
Contributions and grants	\$ 589,223	\$ 596,593
Events, net of direct expenses of \$154,861 (Note 2)	160,122	166,575
Shelter services	331,032	312,058
Service contract fees	223,094	224,308
Sale of pet supplies, net	8,386	8,625
Appropriation of endowment earnings	50,000	50,000
Net assets released from restrictions	749,785	213,330
<b>Total operating revenue and support</b>	<b>2,111,642</b>	<b>1,571,489</b>
Program expenses:		
Shelter services	1,157,131	1,092,758
Education and training services	325,485	323,687
<b>Total program expenses</b>	<b>1,482,616</b>	<b>1,416,445</b>
Supporting services:		
Fundraising	314,005	309,924
Management and general	205,583	196,911
<b>Total supporting services</b>	<b>519,588</b>	<b>506,835</b>
<b>Total operating expenses</b>	<b>2,002,204</b>	<b>1,923,280</b>
<b>Changes in unrestricted net assets from operations</b>	<b>109,438</b>	<b>(351,791)</b>
Non-operating revenue and support:		
Contributions and grants	65,000	35,738
Investment return	266,770	47,739
Net assets released from restrictions	-	187,589
<b>Changes in non-operating revenue and support</b>	<b>331,770</b>	<b>271,066</b>
<b>Changes in total unrestricted net assets</b>	<b>441,208</b>	<b>(80,725)</b>
Changes in temporarily restricted net assets:		
Contributions and grants	315,564	913,098
Investment return - endowment	116,521	31,084
Net assets released from restrictions	(749,785)	(400,919)
Appropriation of endowment earnings	(50,000)	(50,000)
<b>Changes in total temporarily restricted net assets</b>	<b>(367,700)</b>	<b>493,263</b>
<b>Change in total net assets</b>	<b>73,508</b>	<b>412,538</b>
<b>Net Assets, beginning of year</b>	<b>11,290,376</b>	<b>10,877,838</b>
<b>Net Assets, end of year</b>	<b>\$ 11,363,884</b>	<b>\$ 11,290,376</b>

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, 2017**  
**(With Comparative Totals for the Year Ended July 31, 2016)**



	<u>2017</u>	<u>2016</u>
Cash Flows from Operating Activities:		
Change in total net assets	\$ 73,508	\$ 412,538
Adjustments to reconcile change in total net assets to net cash provided by operating activities:		
Depreciation	319,935	322,019
Bad debt expense	325	635
Net realized and unrealized (gain) loss on investments	(288,624)	161
Contributions restricted for property and equipment	(2,600)	(2,500)
Changes in operating assets and liabilities:		
Service receivables	(5,579)	(12,634)
Unconditional promises to give	12,254	181,488
Prepaid expenses and other assets	23,321	3,895
Accounts payable	(8,176)	16,399
Accrued expenses	12,448	4,201
<b>Net cash provided by operating activities</b>	<b><u>136,812</u></b>	<b><u>926,202</u></b>
Cash Flows from Investing Activities:		
Purchase of property and equipment	-	(7,469)
Purchases of investments	(214,868)	(874,831)
Proceeds from sale of investments	66,284	90,509
<b>Net cash used by investing activities</b>	<b><u>(148,584)</u></b>	<b><u>(791,791)</u></b>
Cash Flows from Financing Activities:		
Contributions restricted for property and equipment	2,600	2,500
<b>Net cash provided by financing activities</b>	<b><u>2,600</u></b>	<b><u>2,500</u></b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>(9,172)</b>	<b>136,911</b>
<b>Cash and Cash Equivalents, beginning of year</b>	<b><u>904,453</u></b>	<b><u>767,542</u></b>
<b>Cash and Cash Equivalents, end of year</b>	<b><u>\$ 895,281</u></b>	<b><u>\$ 904,453</u></b>

**ROBERT POTTER LEAGUE FOR ANIMALS, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**Year Ended July 31, 2017**  
**(With Comparative Totals for the Year Ended July 31, 2016)**



	2017						2016	
	Program Expenses			Supporting Services			Total Expenses	Total Expenses
	Shelter Services	Education & Training Services	Total Program Expenses	Fundraising	Management and General	Total Supporting Services		
Salaries and wages	\$ 511,284	\$ 132,590	\$ 643,874	\$ 192,774	\$ 61,387	\$ 254,161	\$ 898,035	\$ 835,375
Professional fees	11,462	2,418	13,880	4,518	5,531	10,049	23,929	23,100
Program supplies	31,409	1,834	33,243	9,608	7,994	17,602	50,845	43,241
Veterinary fees and supplies	143,046	-	143,046	-	-	-	143,046	131,635
Occupancy costs	52,075	15,094	67,169	1,558	7,592	9,150	76,319	81,806
Printing and publications	5,819	12,382	18,201	20,921	969	21,890	40,091	42,444
Employee benefits	38,280	17,911	56,191	27,488	6,882	34,370	90,561	89,785
Payroll taxes	51,164	5,633	56,797	15,723	4,527	20,250	77,047	72,541
Fees and other miscellaneous expenses	6,239	237	6,476	1,024	51,294	52,318	58,794	42,551
Advertising	1,008	1,013	2,021	-	-	-	2,021	2,368
Postage	1,156	967	2,123	9,797	429	10,226	12,349	12,932
Insurance	17,951	5,212	23,163	3,787	5,512	9,299	32,462	32,250
Food costs	12,983	25	13,008	-	-	-	13,008	14,109
Repairs and maintenance	30,610	8,873	39,483	-	4,031	4,031	43,514	36,476
Computer expenses	11,457	8,729	20,186	10,247	9,143	19,390	39,576	40,203
Training and strategic planning	1,751	985	2,736	720	7,434	8,154	10,890	16,561
Shelter expenses	2,587	27,779	30,366	-	-	-	30,366	35,123
Contracted labor	-	20,175	20,175	-	-	-	20,175	30,552
Telephone	2,463	1,056	3,519	1,427	2,111	3,538	7,057	7,509
Transport fees and travel expenses	10,114	669	10,783	329	747	1,076	11,859	10,065
Bad debt expense	325	-	325	-	-	-	325	635
<b>Total expenses before depreciation</b>	<b>943,183</b>	<b>263,582</b>	<b>1,206,765</b>	<b>299,921</b>	<b>175,583</b>	<b>475,504</b>	<b>1,682,269</b>	<b>1,601,261</b>
Depreciation	213,948	61,903	275,851	14,084	30,000	44,084	319,935	322,019
<b>Total operating expenses</b>	<b>\$ 1,157,131</b>	<b>\$ 325,485</b>	<b>\$ 1,482,616</b>	<b>\$ 314,005</b>	<b>\$ 205,583</b>	<b>\$ 519,588</b>	<b>\$ 2,002,204</b>	<b>\$ 1,923,280</b>

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, 2017**

**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 their integrity and objectivity. 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.

In addition, the Board of Directors (the Board) has designated various amounts within unrestricted net assets into reserves in accordance with the guidelines of the United Way and other not-for-profit watchdog agencies. The following reserves have been established:

***Operating Reserve*** – A reserve equal to approximately 120 days of projected operating expenditures, excluding depreciation, has been designated to provide for operations in the event of an unanticipated interruption or other operating contingency.

***Building Reserve*** – Since the completion of the new shelter, the League has been growing a building reserve fund to provide for major repairs and improvements. The Board annually transfers funds to the reserve from operations, and will continue to do so as outlined in the 20-year reserve requirement study prepared by the Nonprofit Finance Fund.

***Long-term Investment Reserve*** – The Board has set aside certain unrestricted, non-operating funds for long-term purposes. Those funds have been invested to provide for the long-term growth of the League.

**ROBERT POTTER LEAGUE FOR ANIMALS, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**Year Ended July 31, 2017**

***Performance Indicator***

In the accompanying statement of activities, the primary indicator of the League's results is "changes in unrestricted net assets from operations," which includes revenue and support and expenses related to the ongoing operations of the League. Transactions such as investment return, bequests, 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.

***Summarized Comparative Financial Information***

The accompanying financial statements include certain prior-year summarized comparative information without accompanying note disclosure. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America due to the lack of comparative note disclosures. Accordingly, such information should be read in conjunction with the League's financial statements and related notes to the financial statements for the year ended July 31, 2016, from which the summarized information was derived.

***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. 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, 2017.

***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.

**ROBERT POTTER LEAGUE FOR ANIMALS, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**Year Ended July 31, 2017**

***Property and Equipment***

Property and equipment are stated at cost or, if donated, at the fair market value at the date of the gift. 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***

Authoritative guidance defines fair value, establishes a framework for measuring fair value, and establishes a fair value hierarchy which prioritizes the inputs to valuation techniques. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market. Valuation techniques that are consistent with the market, income or cost approach are used to measure fair value.

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

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.

**ROBERT POTTER LEAGUE FOR ANIMALS, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**Year Ended July 31, 2017**



***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. The League recognizes revenue for events when the event takes place.

The League recognizes shelter service and service 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.

The fair value of these contributed goods and services is included in contributions and grants in the statement of activities, except for those amounts benefiting fundraising events of the League, which are included in events, net in the statement of activities. For the year ended July 31, 2017, the value of contributed goods and services was \$94,529, of which approximately \$73,000 benefited 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 League currently has no tax examinations in progress.

***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 THE FINANCIAL STATEMENTS**  
**Year Ended July 31, 2017**

***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 media advertisements promoting animals available for adoption and any of the League's special events. For the years ended July 31, 2017, advertising expense was approximately \$68,300, of which, approximately \$42,900 was donated in-kind. Of the total advertising expense, approximately \$23,400 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.

***Recent Accounting Pronouncements***

In August 2016, the FASB issued ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. The standard is intended to simplify and improve how a not-for-profit organization classifies its net assets, as well as the information it presents in financial statements and notes about its liquidity, financial performance, and cash flows. Upon adoption net assets will be reduced to two classes (with and without donor restriction). The standard is effective for annual periods beginning after December 15, 2017, with early adoption permitted and will be applied retrospectively to all periods presented upon adoption. The standard will be effective for the League's year ending July 31, 2019. The League is currently in the process of evaluating the impact of adoption on the financial statements.

***Subsequent Events***

Management of the League has evaluated subsequent events through November 6, 2017, 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, 2017**



**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	\$	12,498
One to five years		4,909
Unconditional promises to give	\$	17,407

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 or restricted contributions and grants.

**4. Property and Equipment**

Property and equipment consisted of the following:

Buildings	\$	8,720,457
Leasehold improvements		33,604
Office equipment and software		247,723
Vehicles		50,437
		9,052,221
Less accumulated depreciation		2,838,783
Property and equipment, net	\$	6,213,438

**ROBERT POTTER LEAGUE FOR ANIMALS, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**Year Ended July 31, 2017**



**5. Investments**

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

Cash and Short-term Investments	\$	64,871
Equities:		
Basic materials		34,041
Financial		57,536
Consumer goods		62,464
Services		41,572
Technology		40,842
Industrial goods		35,754
Other equities		8,001
Total equities		280,210
Mutual Funds:		
Mid-cap blend		50,190
Large blend		2,488,743
Small value		148,953
Mid-cap value		44,108
Large value		59,630
Foreign large blend		28,417
Nontraditional bond		95,913
Multisector bond		116,186
Diversified emerging markets		34,494
Precious metals		28,256
Financial		40,391
Conservative allocation funds		106,098
Intermediate term funds		90,989
Technology		31,275
Other EFTs		58,747
Other mutual funds		265,010
Total mutual funds		3,687,400
Corporate Bonds		254,199
Total investments	\$	4,286,680

**ROBERT POTTER LEAGUE FOR ANIMALS, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**Year Ended July 31, 2017**



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

Interest and dividends	\$	110,960
Net realized and unrealized gains		288,624
Investment fees		(16,293)
		_____
Total investment return	\$	383,291

**6. Temporarily Restricted Net Assets**

Temporarily restricted net assets consist of the following:

Restricted due to time, for general operations	\$	62,210
Animal care		22,197
CoyoteSmarts		2,133
TLC (Training, Leadership, Coaching) Fund		26,500
Dean & Perry Jerozal Fund for protection, care and feeding of animals		175,010
Building maintenance		46,269
Wellness clinics		10,000
Humane education		865
Appreciation of donor restricted endowment funds (note 7)		136,741
		_____
Total temporarily restricted net assets	\$	481,925

Of the amounts restricted due to time, approximately \$57,000 is expected to be released within one year.

**7. 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 accounting principles generally accepted in the United States of America, 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, 2017**

*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	\$ 16,697	\$ 178,312	\$ 195,009
General purposes	120,044	1,282,008	1,402,052
<b>Total endowment funds</b>	<b>\$ 136,741</b>	<b>\$ 1,460,320</b>	<b>\$ 1,597,061</b>

Changes in endowment net assets for the year ended July 31, 2017 are as follows:

	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 70,220	\$ 1,460,320	\$ 1,530,540
Investment return:			
Interest and dividends, net	43,942	-	43,942
Net realized and unrealized gains	72,579	-	72,579
Total investment return	116,521	-	116,521
Appropriation of endowment earnings	(50,000)	-	(50,000)
<b>Endowment net assets, end of year</b>	<b>\$ 136,741</b>	<b>\$ 1,460,320</b>	<b>\$ 1,597,061</b>

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***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, 2017.

***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, 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 the Board. 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.

**8. Employee Benefit Plans**

On January 1, 2014, the League established a SIMPLE IRA plan (IRA) established under section 408(p) of the Internal Revenue Code. The Plan covers all employees who receive at least \$5,000 in compensation annually. Employees may elect to defer a percentage of their compensation into the IRA. Under the IRA, the League will contribute a matching contribution equal to the employee contribution up to 3% of compensation. The League contributed \$19,856 to the IRA for the year ended July 31, 2017.

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**9. Concentrations of Credit Risk**

Financial instruments that potentially subject the League to concentrations of credit risk consist principally of cash and cash equivalents and investments.

The League maintains its operating accounts in one local financial institution insured by the Federal Deposit Insurance Corporation up to specified limits. The account balances, at times, may exceed the insured limits, but management believes the League is not exposed to any significant credit risk related to these accounts.

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 marketable securities to the extent possible. At year end, management does not believe that significant credit risk exists relative to the investments.