

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

Financial Statements

Year Ended July 31, 2019

(With Independent Auditors' Report Thereon)

ROBERT POTTER LEAGUE FOR ANIMALS, INC.

FINANCIAL STATEMENTS

Year Ended July 31, 2019

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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, 2019, 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, 2019, 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, 2018 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated November 5, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended July 31, 2018, is consistent, in all material respects, with the audited financial statements and related notes to the financial statements from which it has been derived.

Emphasis-of-Matter

As of July 31, 2019, the League adopted Financial Accounting Standards Board (FASB) Accounting Standard Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, as described in Note 2. The changes in the ASU have been applied on a retrospective basis for the year ended July 31, 2019. Our opinion is not modified with respect to this matter.

Kahn, Litwin, Renya & Co., Ltd.

November 18, 2019

ROBERT POTTER LEAGUE FOR ANIMALS, INC.
STATEMENT OF FINANCIAL POSITION
July 31, 2019
(With Comparative Totals at July 31, 2018)



	2019	2018
Assets		
Cash and cash equivalents	\$ 744,591	\$ 743,160
Service receivables	51,800	12,542
Unconditional promises to give	29,260	19,033
Prepaid expenses and other assets	36,107	29,168
Property and equipment, net	5,675,780	5,929,821
Investments, at fair value	4,615,167	4,562,150
	\$ 11,152,705	\$ 11,295,874
Total Assets		
Liabilities and Net Assets		
Liabilities:		
Accounts payable	\$ 55,165	\$ 48,439
Accrued expenses	150,962	89,078
Total liabilities	206,127	137,517
Net Assets:		
Without donor restrictions:		
General	38,921	72,458
Investment in property and equipment, net	5,675,780	5,929,821
Board designated - operating reserve	1,098,600	683,400
Board designated - building reserve	233,538	197,847
Board designated - long-term investment reserve	2,246,453	2,527,134
Total net assets without donor restrictions	9,293,292	9,410,660
With donor restrictions	1,653,286	1,747,697
Total net assets	10,946,578	11,158,357
Total Liabilities and Net Assets	\$ 11,152,705	\$ 11,295,874

ROBERT POTTER LEAGUE FOR ANIMALS, INC.
STATEMENT OF ACTIVITIES
Year Ended July 31, 2019
(With Comparative Totals for the Year Ended July 31, 2018)



	2019			2018
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Changes in Total Operating Net Assets:				
Operating revenue and support:				
Contributions and grants	\$ 841,125	\$ 238,537	\$ 1,079,662	\$ 906,148
Events, net of expenses \$147,248 (Note 2)	228,686	-	228,686	136,269
Shelter services	430,641	-	430,641	442,760
Service contract fees	213,994	-	213,994	213,910
Spay and neuter services	323,106	-	323,106	-
Sale of pet supplies, net	10,706	-	10,706	12,543
Appropriation of endowment and Board designated investment earnings	149,982	-	149,982	100,000
Net assets released from restrictions	242,730	(242,730)	-	-
Transfer from Board designated long-term investment reserve	-	-	-	70,000
Total operating revenue and support	2,440,970	(4,193)	2,436,777	1,881,630
Program expenses:				
Shelter services	1,448,870	-	1,448,870	1,388,071
Education and training services	369,503	-	369,503	351,975
Spay and neuter services	342,431	-	342,431	-
Total program expenses	2,160,804	-	2,160,804	1,740,046
Supporting services:				
Fundraising	375,276	-	375,276	348,030
Management and general	203,738	-	203,738	182,702
Total supporting services	579,014	-	579,014	530,732
Total operating expenses	2,739,818	-	2,739,818	2,270,778
Changes in total net assets from operations	(298,848)	(4,193)	(303,041)	(389,148)
Changes in Total Non-operating Net Assets:				
Non-operating revenue and support:				
Contributions and grants	21,500	-	21,500	8,854
Investment return (loss)	168,780	(40,236)	128,544	344,767
Excess of assets over liabilities assumed in acquisition (note 3)	91,200	-	91,200	-
Appropriation of endowment and Board designated investment earnings	(100,000)	(49,982)	(149,982)	(100,000)
Transfer to operations	-	-	-	(70,000)
Changes in non-operating revenue and support	181,480	(90,218)	91,262	183,621
Change in total net assets	(117,368)	(94,411)	(211,779)	(205,527)
Net Assets, beginning of year	9,410,660	1,747,697	11,158,357	11,363,884
Net Assets, end of year	\$ 9,293,292	\$ 1,653,286	\$ 10,946,578	\$ 11,158,357

ROBERT POTTER LEAGUE FOR ANIMALS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended July 31, 2019
(With Comparative Totals for the Year Ended July 31, 2018)



	2019							2018	
	Program Expenses				Supporting Services			Total Expenses	Total Expenses
	Shelter Services	Education and Training Services	Spay and Neuter Services	Total Program Expenses	Fundraising	Management and General	Total Supporting Services		
Salaries and wages	\$ 674,880	\$ 145,160	\$ 178,863	\$ 998,903	\$ 211,545	\$ 72,599	\$ 284,144	\$ 1,283,047	\$ 1,052,643
Employee benefits	67,748	21,651	16,994	106,393	31,000	13,438	44,438	150,831	113,760
Payroll taxes	63,212	6,032	15,569	84,813	17,070	4,578	21,648	106,461	87,440
Professional fees	12,756	2,667	180	15,603	4,951	6,068	11,019	26,622	25,225
Program supplies	36,555	5,984	82,721	125,260	4,632	9,344	13,976	139,236	49,222
Veterinary fees and supplies	186,020	-	-	186,020	-	-	-	186,020	170,475
Occupancy costs	68,929	19,979	17,852	106,760	2,019	9,967	11,986	118,746	86,417
Printing and publications	5,845	16,869	-	22,714	79,919	1,916	81,835	104,549	87,819
Fees and other miscellaneous expenses	5,121	624	11,490	17,235	3,059	3,737	6,796	24,031	21,311
Advertising	744	1,472	817	3,033	-	-	-	3,033	4,080
Insurance	20,036	5,437	1,228	26,701	3,889	6,297	10,186	36,887	36,263
Food costs	13,699	-	-	13,699	-	-	-	13,699	11,704
Repairs and maintenance	38,236	11,083	10,702	60,021	-	11,028	11,028	71,049	73,103
Computer expenses	12,314	16,441	-	28,755	7,595	13,006	20,601	49,356	40,088
Training and strategic planning	4,373	2,302	2,293	8,968	3,518	7,786	11,304	20,272	19,674
Shelter expenses	3,711	28,055	-	31,766	-	-	-	31,766	30,109
Contracted labor	3,865	23,235	2,490	29,590	-	11,000	11,000	40,590	29,217
Telephone	2,411	1,033	-	3,444	1,378	2,067	3,445	6,889	6,482
Transport fees and travel expenses	15,932	-	879	16,811	715	1,112	1,827	18,638	16,941
Bad debt expense	-	-	-	-	-	-	-	-	715
Total expenses before depreciation	1,236,387	308,024	342,078	1,886,489	371,290	173,943	545,233	2,431,722	1,962,688
Depreciation	212,483	61,479	353	274,315	3,986	29,795	33,781	308,096	308,090
Total operating expenses	\$ 1,448,870	\$ 369,503	\$ 342,431	\$ 2,160,804	\$ 375,276	\$ 203,738	\$ 579,014	\$ 2,739,818	\$ 2,270,778

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, 2019
(With Comparative Totals for the Year Ended July 31, 2018)



	2019	2018
Cash Flows from Operating Activities:		
Change in total net assets	\$ (211,779)	\$ (205,527)
Adjustments to reconcile change in total net assets to net cash provided (used) by operating activities:		
Depreciation	308,096	308,090
Bad debt expense	-	715
Net realized and unrealized gain on investments	(30,820)	(243,650)
Contributions restricted for property and equipment	(11,095)	(3,100)
Changes in operating assets and liabilities:		
Service receivables	(39,258)	16,546
Unconditional promises to give	(10,227)	(1,626)
Prepaid expenses and other assets	(6,939)	(2,118)
Accounts payable	6,726	18,945
Accrued expenses	61,884	12,797
Net cash provided (used) by operating activities	66,588	(98,928)
Cash Flows from Investing Activities:		
Purchases of property and equipment	(54,055)	(24,473)
Purchases of investments	(179,645)	(424,745)
Proceeds from sale of investments	157,448	392,925
Net cash used by investing activities	(76,252)	(56,293)
Cash Flows from Financing Activities:		
Contributions restricted for property and equipment	11,095	3,100
Net cash provided by financing activities	11,095	3,100
Net Increase (Decrease) in Cash and Cash Equivalents	1,431	(152,121)
Cash and Cash Equivalents, beginning of year	743,160	895,281
Cash and Cash Equivalents, end of year	\$ 744,591	\$ 743,160

ROBERT POTTER LEAGUE FOR ANIMALS, INC.
NOTES TO THE FINANCIAL STATEMENTS
Year Ended July 31, 2019

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.

Effective March 29, 2019, the League acquired the Rhode Island Spay and Neuter Clinic, LLC (RISNC). All assets of RISNC were transferred to the League and the League became the surviving organization as of the effective date (Note 3).

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.

Accounting Pronouncements Adopted

In August 2016, the Financial Accounting Standard Board (FASB) issued Accounting Standard Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. The standard is intended to simplify and improve how a non-for-profit organization classifies its net assets, as well as the information it presents in financial statements and notes about its liquidity and availability of resources, financial performance, and cash flows. Upon adoption, net assets were reduced to two classes (without and with donor restrictions).

The League adopted the provisions of this new standard in 2019 and applied it retrospectively to the 2018 comparative presentation.

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 two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

ROBERT POTTER LEAGUE FOR ANIMALS, INC.
NOTES TO THE FINANCIAL STATEMENTS
Year Ended July 31, 2019

Net Assets without Donor Restrictions

Net assets without donor restrictions are available for use at the discretion of the Board of Directors (the Board) and/or management for general operating purposes. In addition, the Board has designated various amounts within net assets without donor restrictions 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 accumulating 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 Non-profit Finance Fund.

Long-term Investment Reserve – The Board has set aside certain non-operating net assets without donor restrictions for long-term purposes. Those funds have been invested to provide for the long-term growth of the League.

Net Assets with Donor Restrictions

Net assets with donor restrictions consist of assets whose use is limited by donor-imposed, time and/or purpose restrictions. Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction is satisfied, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

Performance Indicator

In the accompanying statement of activities, the primary indicator of the League's results is "changes in total net assets from operations," without donor restrictions, which includes revenue and support and expenses related to the ongoing operations of the League. Transactions such as contributions without donor restrictions and grants related to real property, investment return (loss), excess of assets over liabilities assumed in acquisition, appropriation of endowment and Board designated investment earnings and transfers to operations are included as a component of non-operating revenue and support on the statement of activities.

ROBERT POTTER LEAGUE FOR ANIMALS, INC.
NOTES TO THE FINANCIAL STATEMENTS
Year Ended July 31, 2019

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, 2018, 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, 2019.

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.

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.

ROBERT POTTER LEAGUE FOR ANIMALS, INC.
NOTES TO THE FINANCIAL STATEMENTS
Year Ended July 31, 2019

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.

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 with or without donor restrictions, depending on the existence and/or nature of any donor imposed restrictions. The League recognizes revenue for events when the event takes place.

ROBERT POTTER LEAGUE FOR ANIMALS, INC.
NOTES TO THE FINANCIAL STATEMENTS
Year Ended July 31, 2019

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, 2019, the value of contributed goods and services was approximately \$90,500, of which approximately \$70,000 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 Expenses

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include compensation and benefits, which are allocated on a basis of estimates of time and effort, as well as, depreciation and occupancy, which are allocated on a square footage basis.

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.

ROBERT POTTER LEAGUE FOR ANIMALS, INC.
NOTES TO THE FINANCIAL STATEMENTS
Year Ended July 31, 2019

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 year ended July 31, 2019, advertising expense was approximately \$33,000, of which, approximately \$30,000 was donated in-kind. Of the total advertising expense, approximately \$30,000 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

The following is a summary of recent authoritative pronouncements that could impact the accounting, reporting, and/or disclosure of financial information by the League. The League is currently in the process of evaluating the impact of adoption on the financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases*, which is effective for annual periods beginning after December 15, 2019. The standard requires all leases with lease terms over 12 months to be capitalized as a right-of-use asset and lease liability on the statement of financial position at the date of lease commencement. Leases will be classified as either financing or operating. This distinction will be relevant for the pattern of expense recognition in the statement of activities. This standard will be effective for the League's year ending July 31, 2023, with early adoption permitted.

In June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which is effective for annual periods beginning after December 15, 2018. The standard provides guidance on characterizing grants and similar contracts as reciprocal exchanges or contributions, determining whether a contribution is conditional and the simultaneous release option. This standard will be effective for the League's year ending July 31, 2020.

Reclassification

Certain 2018 balances were reclassified to conform to the 2019 financial statement presentation.

ROBERT POTTER LEAGUE FOR ANIMALS, INC.
NOTES TO THE FINANCIAL STATEMENTS
Year Ended July 31, 2019



Subsequent Events

Management of the League has evaluated subsequent events through November 18, 2019, which is the date these financial statements were available to be issued.

3. Acquisition

Effective March 29, 2019, the League entered into an agreement with RISNC. Pursuant to the terms of the agreement, as of the effective date, all assets of RISNC were transferred to the League and the League became the surviving organization. No consideration was provided in connection with the agreement.

Under the acquisition method of accounting, the assets acquired in the transaction are allocated based on their estimated fair values at the acquisition date. In valuing acquired assets, fair values are based on, but are not limited to, quoted market prices, expected future cash flows, current replacement costs, market rate assumptions and appropriate discount and growth rates. The excess of assets over liabilities assumed in the acquisition of RISNC in the amount of \$91,200 is included in non-operating revenue and support in the statement of activities for the year ended July 31, 2019.

4. Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following at July 31, 2019:

Financial assets:	
Cash and cash equivalents	\$ 744,591
Service receivables	51,800
Unconditional promises to give	29,260
Investments	4,615,167
Financial assets, at July 31, 2019	5,440,818
Less those unavailable for general expenditure within one year, due to:	
Unconditional promises to give, long term portion	2,912
Investments, subject to restriction in perpetuity	1,552,205
Board designated funds for building reserve	233,538
Board designated funds for long-term investment reserve	2,246,453
	4,035,108
Financial assets available to meet general expenditure needs within one year	\$ 1,405,710

ROBERT POTTER LEAGUE FOR ANIMALS, INC.
NOTES TO THE FINANCIAL STATEMENTS
Year Ended July 31, 2019



The League has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. To help manage unanticipated liquidity needs, the League has an operating reserve equal to approximately 120 days of projected operating expenditures, excluding depreciation, for operations in an event of an operating contingency. In addition, the League has board designated investments held for long-term purposes of \$2,246,453, in which up to 5% can be made available annually for operations and programs. During the year ended July 31, 2019, \$100,000 was transferred to operations from this reserve.

5. 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	\$	26,348
One to five years		2,912
Unconditional promises to give		\$ 29,260

The League has been named as a beneficiary of 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 contributions and grants with donor restrictions.

6. Property and Equipment

Property and equipment consisted of the following:

Building and building improvements	\$	8,759,311
Office equipment and software		253,026
Vehicles		92,756
		9,105,093
Less accumulated depreciation		3,429,313
Property and equipment, net		\$ 5,675,780

ROBERT POTTER LEAGUE FOR ANIMALS, INC.
NOTES TO THE FINANCIAL STATEMENTS
Year Ended July 31, 2019



7. 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	\$ 6,671
Mutual Funds:	
Large blend	4,530,453
Large value	7,117
Short-term bond	32,289
High yield fund	19,778
Non-traditional bond	13,969
Other mutual funds	4,890
Total mutual funds	<u>4,608,496</u>
Total investments	<u>\$ 4,615,167</u>

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

Interest and dividends	\$ 105,190
Net realized and unrealized gains	30,820
Investment fees	<u>(7,466)</u>
Total investment return	<u>\$ 128,544</u>

ROBERT POTTER LEAGUE FOR ANIMALS, INC.
NOTES TO THE FINANCIAL STATEMENTS
Year Ended July 31, 2019



8. Net Assets With Donor Restrictions

A summary of net assets with donor restrictions is as follows:

Subject to time restrictions, for general operations	\$	44,927
Subject to expenditure for specified purpose:		
Animal care		20,082
CoyoteSmarts		3,020
TLC (Training, Leadership, Coaching) Fund		15,752
StarKids afterschool program		7,036
Wellness clinics		9,819
Summer camps		445
Appreciation of donor restricted endowment funds (Note 9)		91,885
		148,039
Subject to restriction in perpetuity (Note 9):		1,460,320
Total net assets with donor restrictions	\$	1,653,286

Of the amounts restricted due to time, approximately \$42,000 is expected to be released within one year.

9. Endowment Funds

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.

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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 net assets with donor restrictions (a) the original value of the gift donated to the fund, (b) the original value of subsequent gifts to the fund, and (c) accumulations to the fund 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 net assets with donor restriction in perpetuity is classified as net assets with donor restrictions subject to the spending policy and appropriation 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:

	<u>Unappropriated Earnings</u>	<u>In Perpetuity</u>	<u>Total</u>
Animal care, food and sheltering	\$ 11,220	\$ 178,312	\$ 189,532
General purposes	<u>80,665</u>	<u>1,282,008</u>	<u>1,362,673</u>
Total endowment funds	<u>\$ 91,885</u>	<u>\$ 1,460,320</u>	<u>\$ 1,552,205</u>

Changes in endowment net assets for the year ended July 31, 2019 are as follows:

	<u>Unappropriated gains (losses) and other</u>	<u>In Perpetuity</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 182,103	\$ 1,460,320	\$ 1,642,423
Investment return:			
Interest and dividends, net	27,967	-	27,967
Net realized and unrealized loss	<u>(68,203)</u>	<u>-</u>	<u>(68,203)</u>
Total investment loss	<u>(40,236)</u>	<u>-</u>	<u>(40,236)</u>
Appropriation of endowment earnings	<u>(49,982)</u>	<u>-</u>	<u>(49,982)</u>
Endowment net assets, end of year	<u>\$ 91,885</u>	<u>\$ 1,460,320</u>	<u>\$ 1,552,205</u>

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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, 2019.

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.

10. 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 \$23,966 to the IRA for the year ended July 31, 2019.

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11. Commitments and Contingencies

The League leases its office building for the Spay and Neuter Clinic under a non-cancelable operating lease with monthly payments of \$3,101, which expires October 2023. The lease became effective on March 29, 2019, which was the date of acquisition of RISNC (Note 3). Total rent expense charged under the operating lease for the year ended July 31, 2019 was approximately \$12,400.

Approximate future payments related to the non-cancelable operating lease is as follows:

<u>Year Ending</u>	
July 31, 2020	\$ 37,200
July 31, 2021	37,200
July 31, 2022	37,200
July 31, 2023	37,200
July 31, 2024	<u>9,300</u>
Total	<u>\$ 158,100</u>

12. 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 four financial institutions 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.