

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

Financial Statements

Year Ended July 31, 2014

(With Independent Auditors' Report Thereon)

ROBERT POTTER LEAGUE FOR ANIMALS, INC.

FINANCIAL STATEMENTS

Year Ended July 31, 2014

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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, 2014, 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 the League as of July 31, 2014, 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, 2013 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated October 21, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended July 31, 2013, is consistent, in all material respects, with the audited financial statements and related notes to the financial statements from which it has been derived.

Kelly Litwin, Kenya & Co., Ltd.

October 1, 2014

ROBERT POTTER LEAGUE FOR ANIMALS, INC.
STATEMENT OF FINANCIAL POSITION
July 31, 2014
(With Comparative Totals at July 31, 2013)



	<u>2014</u>	<u>2013</u>
Assets		
Cash and cash equivalents	\$ 1,140,264	\$ 1,099,079
Service receivables	6,947	12,263
Unconditional promises to give	403,634	662,616
Prepaid expenses and other assets	41,381	39,092
Property and equipment, net	7,168,047	7,399,638
Investments, at fair value	<u>2,088,325</u>	<u>1,484,363</u>
Total Assets	<u>\$ 10,848,598</u>	<u>\$ 10,697,051</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable	\$ 55,226	\$ 44,558
Accrued expenses	<u>58,769</u>	<u>41,212</u>
Total liabilities	<u>113,995</u>	<u>85,770</u>
Net Assets:		
Unrestricted:		
General	141,976	1,024,886
Investment in property and equipment, net	7,168,047	7,399,638
Board designated - operating reserve	570,000	-
Board designated - building reserve	78,810	51,250
Board designated - long-term investment reserve	<u>839,731</u>	<u>-</u>
Total unrestricted net assets	<u>8,798,564</u>	<u>8,475,774</u>
Temporarily restricted	582,596	782,064
Permanently restricted	<u>1,353,443</u>	<u>1,353,443</u>
Total net assets	<u>10,734,603</u>	<u>10,611,281</u>
Total Liabilities and Net Assets	<u>\$ 10,848,598</u>	<u>\$ 10,697,051</u>

ROBERT POTTER LEAGUE FOR ANIMALS, INC.
STATEMENT OF ACTIVITIES
Year Ended July 31, 2014
(With Comparative Totals for the Year Ended July 31, 2013)



	<u>2014</u>	<u>2013</u>
Changes in unrestricted operating net assets:		
Operating revenue and support:		
Contributions and grants	\$ 670,161	\$ 638,481
Events, net of direct expenses of \$205,108 (note 2)	179,057	231,048
Shelter services	296,600	287,211
Service contract fees	224,022	223,571
Sale of pet supplies, net	10,499	7,119
Appropriation of endowment earnings	50,000	50,000
Net assets released from restrictions	202,978	131,311
Total operating revenue and support	<u>1,633,317</u>	<u>1,568,741</u>
Program expenses:		
Shelter services	1,049,841	968,281
Education and training services	361,479	309,649
Total program expenses	<u>1,411,320</u>	<u>1,277,930</u>
Supporting services:		
Fundraising	283,856	286,196
Management and general	145,490	159,599
Total supporting services	<u>429,346</u>	<u>445,795</u>
Total operating expenses	<u>1,840,666</u>	<u>1,723,725</u>
Changes in unrestricted net assets from operations	<u>(207,349)</u>	<u>(154,984)</u>
Non-operating revenue and support:		
Contributions and grants	11,500	166,077
Investment return	13,903	7,545
Gain on sale of property and equipment	1,500	-
Net assets released from restrictions	503,236	376,060
Changes in non-operating revenue and support	<u>530,139</u>	<u>549,682</u>
Changes in total unrestricted net assets	<u>322,790</u>	<u>394,698</u>
Changes in temporarily restricted net assets:		
Contributions and grants	441,224	559,234
Investment return - endowment	115,522	67,834
Net assets released from restrictions	(706,214)	(507,371)
Appropriation of endowment earnings	(50,000)	(50,000)
Changes in total temporarily restricted net assets	<u>(199,468)</u>	<u>69,697</u>
Change in total net assets	<u>123,322</u>	<u>464,395</u>
Net assets, beginning of year	<u>10,611,281</u>	<u>10,146,886</u>
Net assets, end of year	<u>\$ 10,734,603</u>	<u>\$ 10,611,281</u>

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, 2014
(With Comparative Totals for the Year Ended July 31, 2013)

	<u>2014</u>	<u>2013</u>
Cash Flows from Operating Activities:		
Change in total net assets	\$ 123,322	\$ 464,395
Adjustments to reconcile change in total net assets to net cash provided by operating activities:		
Depreciation	318,144	329,922
Bad debt expense	746	27,120
Net realized and unrealized gain on investments	(80,044)	(31,481)
Gain on disposal of property and equipment	(1,500)	-
Contributions restricted for property and equipment	(50,800)	(2,970)
Changes in operating assets and liabilities:		
Service receivables	4,570	128
Unconditional promises to give	258,982	(77,776)
Prepaid expenses and other assets	(2,289)	2,026
Accounts payable	10,668	32,962
Accrued expenses	17,557	4,061
Net cash provided by operating activities	<u>599,356</u>	<u>748,387</u>
Cash Flows from Investing Activities:		
Purchase of property and equipment	(86,553)	(10,096)
Proceeds from sale of property and equipment	1,500	-
Purchases of investments	(632,283)	(310,158)
Proceeds from sale of investments	108,365	287,862
Net cash used by investing activities	<u>(608,971)</u>	<u>(32,392)</u>
Cash Flows from Financing Activities:		
Contributions restricted for property and equipment	50,800	2,970
Repayments on non-revolving line of credit	-	(342,778)
Net cash provided (used) by financing activities	<u>50,800</u>	<u>(339,808)</u>
Net Increase in Cash and Cash Equivalents	41,185	376,187
Cash and Cash Equivalents, beginning of year	<u>1,099,079</u>	<u>722,892</u>
Cash and Cash Equivalents, end of year	<u><u>\$ 1,140,264</u></u>	<u><u>\$ 1,099,079</u></u>

ROBERT POTTER LEAGUE FOR ANIMALS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended July 31, 2014
(With Comparative Totals for the Year Ended July 31, 2013)

	2014						2013	
	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	\$ 392,895	\$ 133,790	\$ 526,685	\$ 176,616	\$ 55,366	\$ 231,982	\$ 758,667	\$ 709,222
Professional fees	10,396	2,220	12,616	4,148	4,875	9,023	21,639	17,761
Program supplies	40,884	4,737	45,621	3,783	4,254	8,037	53,658	51,255
Veterinary fees and supplies	143,673	-	143,673	-	-	-	143,673	100,929
Occupancy costs	63,432	18,386	81,818	1,879	9,153	11,032	92,850	82,278
Printing and publications	4,242	10,396	14,638	22,398	470	22,868	37,506	43,801
Employee benefits	29,897	19,336	49,233	24,055	6,778	30,833	80,066	80,719
Interest expense	-	-	-	-	-	-	-	1,535
Payroll taxes	37,603	11,977	49,580	14,837	4,009	18,846	68,426	65,830
Fees and other miscellaneous expenses	4,787	634	5,421	2,498	1,649	4,147	9,568	9,839
Advertising	10,222	2,659	12,881	-	203	203	13,084	7,808
Postage	1,438	970	2,408	12,295	412	12,707	15,115	15,011
Insurance	16,333	4,880	21,213	1,846	4,868	6,714	27,927	26,184
Food costs	14,000	1,710	15,710	-	-	-	15,710	11,261
Repairs and maintenance	36,306	10,524	46,830	-	5,580	5,580	52,410	48,664
Computer expenses	8,199	22,577	30,776	11,053	7,904	18,957	49,733	41,806
Training and strategic planning	1,201	688	1,889	918	6,163	7,081	8,970	11,246
Shelter expenses	6,575	34,524	41,099	-	-	-	41,099	10,141
Contracted labor	-	17,080	17,080	-	-	-	17,080	15,530
Telephone	2,297	766	3,063	2,297	2,296	4,593	7,656	7,760
Transport fees and travel expenses	5,051	68	5,119	1,112	708	1,820	6,939	8,103
Bad debt expense	746	-	746	-	-	-	746	27,120
Total expenses before depreciation	830,177	297,922	1,128,099	279,735	114,688	394,423	1,522,522	1,393,803
Depreciation	219,664	63,557	283,221	4,121	30,802	34,923	318,144	329,922
Total operating expenses	\$ 1,049,841	\$ 361,479	\$ 1,411,320	\$ 283,856	\$ 145,490	\$ 429,346	\$ 1,840,666	\$ 1,723,725

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, 2014

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.

In addition, the Board of Directors 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, 2014

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, 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.

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, 2014.

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, 2014

Investments and Fair Value Measurements

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

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

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

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

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

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

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

Revenue Recognition

Revenue is substantially derived from private contributions and grants. 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 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.

ROBERT POTTER LEAGUE FOR ANIMALS, INC.
NOTES TO THE FINANCIAL STATEMENTS
Year Ended July 31, 2014



Contributed Goods and Services

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

The fair value of these contributed goods and services is included in contributions and grants in the statement of activities, except for those amounts benefitting fundraising events of the League, which are included in events, net in the statement of activities. For the year ended July 31, 2014, the value of contributed goods and services was \$171,174, of which approximately \$141,000 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 2011, 2012, and 2013 are open to examination by the taxing authorities. 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. During the year, the League had bank balances in excess of federally insured limits. Management does not believe that significant credit risk exists.

At year-end, unconditional promises to give from two donors were approximately \$379,000, which represents 94% of total unconditional promises to give. Subsequent to year-end, \$308,900 of this amount was collected, which represents the entire current portion of the amount.

ROBERT POTTER LEAGUE FOR ANIMALS, INC.
NOTES TO THE FINANCIAL STATEMENTS
Year Ended July 31, 2014

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 (note 5).

Allocation of Indirect Costs

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

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. As of July 31, 2014, advertising expense was approximately \$54,700, of which, approximately \$42,400 was donated in-kind. Of the total advertising expense, approximately \$41,900 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 2013 account balances were reclassified to conform to the 2014 financial statement presentation.

Subsequent Events

Management of the League has evaluated subsequent events through October 1, 2014, 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, 2014

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	\$ 323,838
One to two years	75,000
Two to three years	<u>4,796</u>
Unconditional promises to give	<u>\$ 403,634</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 unconditional promises to give on the statement of financial position.

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	33,604
Office equipment and software	273,214
Vehicles	<u>50,437</u>
	9,077,712
Less accumulated depreciation	<u>1,909,665</u>
Property and equipment, net	<u>\$ 7,168,047</u>

ROBERT POTTER LEAGUE FOR ANIMALS, INC.
NOTES TO THE FINANCIAL STATEMENTS
Year Ended July 31, 2014



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	\$ 173,752
Equities:	
Basic materials	39,252
Consumer goods	49,301
Financial	30,803
Services	39,713
Technology	66,363
Industrial goods	32,100
Other equities	29,664
Total equities	<u>287,196</u>
Mutual Funds:	
Large blend	444,829
Large value	34,031
Small value	30,870
Nontraditional bond	84,034
World allocation funds	81,824
Diversified emerging markets	36,193
Bank loan funds	49,353
Natural resources funds	33,626
Financial funds	57,660
World stock funds	31,470
Conservative allocation funds	89,200
Intermediate term funds	120,674
Other exchange traded funds	65,410
Other mutual funds	168,682
Total mutual funds	<u>1,327,856</u>
Corporate bonds	<u>299,521</u>
Total investments	<u>\$ 2,088,325</u>

ROBERT POTTER LEAGUE FOR ANIMALS, INC.
NOTES TO THE FINANCIAL STATEMENTS
Year Ended July 31, 2014

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

Interest and dividends	\$ 64,077
Net realized and unrealized gains	80,044
Investment fees	<u>(14,696)</u>
Total investment return	<u>\$ 129,425</u>

6. Temporarily Restricted Net Assets

Temporarily restricted net assets consist of the following:

Restricted due to time, for general operations	\$ 410,581
Animal care	22,495
Veterinary suite	1,494
CoyoteSmarts	9,498
Technological upgrade	22,895
Building and grounds	2,223
Appreciation of donor restricted endowment funds (note 7)	<u>113,410</u>
Total temporarily restricted net assets	<u>\$ 582,596</u>

Of the amounts restricted due to time, approximately \$331,000 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 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, 2014

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	\$ 14,941	\$ 178,312	\$ 193,253
General purposes	98,469	1,175,131	1,273,600
Total endowment funds	<u>\$ 113,410</u>	<u>\$ 1,353,443</u>	<u>\$ 1,466,853</u>

Changes in endowment net assets for the year ended July 31, 2014 are as follows:

	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 47,888	\$ 1,353,443	\$ 1,401,331
Investment return:			
Interest and dividends, net	46,297	-	46,297
Net realized and unrealized gains	69,225	-	69,225
Total investment return	<u>115,522</u>	<u>-</u>	<u>115,522</u>
Appropriation of endowment earnings	<u>(50,000)</u>	<u>-</u>	<u>(50,000)</u>
Endowment net assets, end of year	<u>\$ 113,410</u>	<u>\$ 1,353,443</u>	<u>\$ 1,466,853</u>

ROBERT POTTER LEAGUE FOR ANIMALS, INC.
NOTES TO THE FINANCIAL STATEMENTS
Year Ended July 31, 2014

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, 2014.

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.

8. Employee Benefit Plans

The League maintained a defined contribution retirement savings plan (the Plan) established under Section 403(b) of the Internal Revenue Code. The Plan covered all employees who met certain eligibility requirements. Employees could elect to defer a percentage of their compensation into the Plan. Under the Plan, the League could 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, 2014. During the year ended July 31, 2014, the League terminated the Plan.

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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 \$9,316 to the IRA for the year ended July 31, 2014.

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, 2014. The net cash surrender value of approximately \$28,000 is included in prepaid expenses and other assets on the statement of financial position.