

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

Financial Statements

Year Ended July 31, 2015

(With Independent Auditors' Report Thereon)



ROBERT POTTER LEAGUE FOR ANIMALS, INC.

FINANCIAL STATEMENTS

Year Ended July 31, 2015

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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, 2015, 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, 2015, 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, 2014 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated October 1, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended July 31, 2014, 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.

October 15, 2015

ROBERT POTTER LEAGUE FOR ANIMALS, INC.
STATEMENT OF FINANCIAL POSITION
July 31, 2015
(With Comparative Totals at July 31, 2014)

	2015	2014
Assets		
Cash and cash equivalents	\$ 767,542	\$ 1,140,264
Service receivables	12,550	6,947
Unconditional promises to give	211,149	403,634
Prepaid expenses and other assets	54,266	41,381
Property and equipment, net	6,847,923	7,168,047
Investments, at fair value	3,065,311	2,088,325
	\$ 10,958,741	\$ 10,848,598
Total Assets		
Liabilities and Net Assets		
Liabilities:		
Accounts payable	\$ 21,271	\$ 55,226
Accrued expenses	59,632	58,769
Total liabilities	80,903	113,995
Net Assets:		
Unrestricted:		
General	214,914	141,976
Investment in property and equipment, net	6,847,923	7,168,047
Board designated - operating reserve	563,400	570,000
Board designated - building reserve	107,750	78,810
Board designated - long-term investment reserve	1,327,169	839,731
Total unrestricted net assets	9,061,156	8,798,564
Temporarily restricted	356,362	582,596
Permanently restricted	1,460,320	1,353,443
Total net assets	10,877,838	10,734,603
Total Liabilities and Net Assets	\$ 10,958,741	\$ 10,848,598

ROBERT POTTER LEAGUE FOR ANIMALS, INC.
STATEMENT OF ACTIVITIES
Year Ended July 31, 2015
(With Comparative Totals for the Year Ended July 31, 2014)

	2015	2014
Changes in unrestricted operating net assets:		
Operating revenue and support:		
Contributions and grants	\$ 602,300	\$ 670,161
Events, net of direct expenses of \$175,160 (note 2)	183,078	179,057
Shelter services	288,446	296,600
Service contract fees	227,698	224,022
Sale of pet supplies, net	9,169	10,499
Appropriation of endowment earnings	50,000	50,000
Net assets released from restrictions	203,713	202,978
Total operating revenue and support	1,564,404	1,633,317
Program expenses:		
Shelter services	1,042,486	1,049,841
Education and training services	364,457	361,479
Total program expenses	1,406,943	1,411,320
Supporting services:		
Fundraising	289,896	283,856
Management and general	142,558	145,490
Total supporting services	432,454	429,346
Total operating expenses	1,839,397	1,840,666
Changes in unrestricted net assets from operations	(274,993)	(207,349)
Non-operating revenue and support:		
Contributions and grants	167,106	11,500
Investment return	52,170	13,903
Gain on sale of property and equipment	-	1,500
Net assets released from restrictions	318,309	503,236
Changes in non-operating revenue and support	537,585	530,139
Changes in total unrestricted net assets	262,592	322,790
Changes in temporarily restricted net assets:		
Contributions and grants	320,062	441,224
Investment return - endowment	25,726	115,522
Net assets released from restrictions	(522,022)	(706,214)
Appropriation of endowment earnings	(50,000)	(50,000)
Changes in total temporarily restricted net assets	(226,234)	(199,468)
Changes in permanently restricted net assets:		
Contributions and grants	106,877	-
Changes in total permanently restricted net assets	106,877	-
Change in total net assets	143,235	123,322
Net assets, beginning of year	10,734,603	10,611,281
Net assets, end of year	\$ 10,877,838	\$ 10,734,603

ROBERT POTTER LEAGUE FOR ANIMALS, INC.
STATEMENT OF CASH FLOWS
Year Ended July 31, 2015
(With Comparative Totals for the Year Ended July 31, 2014)

	2015	2014
Cash Flows from Operating Activities:		
Change in total net assets	\$ 143,235	\$ 123,322
Adjustments to reconcile change in total net assets to net cash provided by operating activities:		
Depreciation	320,124	318,144
Bad debt expense	300	746
Net realized and unrealized gain on investments	(10,378)	(80,044)
Gain on disposal of property and equipment	-	(1,500)
Contributions restricted for property and equipment	(2,100)	(50,800)
Contributions restricted for permanently restricted endowment	(106,877)	-
Changes in operating assets and liabilities:		
Service receivables	(5,903)	4,570
Unconditional promises to give	192,485	258,982
Prepaid expenses and other assets	(12,885)	(2,289)
Accounts payable	(33,955)	10,668
Accrued expenses	863	17,557
Net cash provided by operating activities	484,909	599,356
Cash Flows from Investing Activities:		
Purchase of property and equipment	-	(86,553)
Proceeds from sale of property and equipment	-	1,500
Purchases of investments	(1,035,142)	(632,283)
Proceeds from sale of investments	68,534	108,365
Net cash used by investing activities	(966,608)	(608,971)
Cash Flows from Financing Activities:		
Contributions restricted for property and equipment	2,100	50,800
Contributions restricted for permanently restricted endowment	106,877	-
Net cash provided by financing activities	108,977	50,800
Net Increase (Decrease) in Cash and Cash Equivalents	(372,722)	41,185
Cash and Cash Equivalents, beginning of year	1,140,264	1,099,079
Cash and Cash Equivalents, end of year	\$ 767,542	\$ 1,140,264

ROBERT POTTER LEAGUE FOR ANIMALS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended July 31, 2015
(With Comparative Totals for the Year Ended July 31, 2014)

	2015						2014	
	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	\$ 444,406	\$ 137,579	\$ 581,985	\$ 174,165	\$ 52,654	\$ 226,819	\$ 808,804	\$ 758,667
Professional fees	10,731	2,284	13,015	4,268	5,225	9,493	22,508	21,639
Program supplies	28,607	2,073	30,680	3,507	2,648	6,155	36,835	53,658
Veterinary fees and supplies	121,786	-	121,786	-	-	-	121,786	143,673
Occupancy costs	58,389	16,924	75,313	1,612	8,502	10,114	85,427	92,850
Printing and publications	4,440	16,221	20,661	20,664	695	21,359	42,020	37,506
Employee benefits	30,524	20,155	50,679	25,580	6,523	32,103	82,782	80,066
Payroll taxes	41,130	11,967	53,097	14,403	3,871	18,274	71,371	68,426
Fees and other miscellaneous expenses	4,709	165	4,874	2,458	2,821	5,279	10,153	9,568
Advertising	2,952	2,515	5,467	-	-	-	5,467	13,084
Postage	1,197	993	2,190	11,340	518	11,858	14,048	15,115
Insurance	17,593	5,177	22,770	1,934	5,160	7,094	29,864	27,927
Food costs	13,031	409	13,440	-	-	-	13,440	15,710
Repairs and maintenance	27,193	7,882	35,075	-	3,619	3,619	38,694	52,410
Computer expenses	8,249	15,227	23,476	11,298	8,375	19,673	43,149	49,733
Training and strategic planning	1,969	1,019	2,988	647	8,945	9,592	12,580	8,970
Shelter expenses	4,332	42,322	46,654	-	-	-	46,654	41,099
Contracted labor	-	18,270	18,270	-	-	-	18,270	17,080
Telephone	2,307	770	3,077	2,307	2,307	4,614	7,691	7,656
Transport fees and travel expenses	5,195	748	5,943	722	765	1,487	7,430	6,939
Bad debt expense	300	-	300	-	-	-	300	746
Total expenses before depreciation	829,040	302,700	1,131,740	274,905	112,628	387,533	1,519,273	1,522,522
Depreciation	213,446	61,757	275,203	14,991	29,930	44,921	320,124	318,144
Total operating expenses	\$ 1,042,486	\$ 364,457	\$ 1,406,943	\$ 289,896	\$ 142,558	\$ 432,454	\$ 1,839,397	\$ 1,840,666

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, 2015

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, 2015

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 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.

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, 2015.

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, 2015

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 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.

ROBERT POTTER LEAGUE FOR ANIMALS, INC.
NOTES TO THE FINANCIAL STATEMENTS
Year Ended July 31, 2015

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, 2015, the value of contributed goods and services was \$124,375, of which approximately \$111,000 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 tax returns for 2012, 2013, and 2014 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 \$169,000, which represents 80% of total unconditional promises to give.

ROBERT POTTER LEAGUE FOR ANIMALS, INC.
NOTES TO THE FINANCIAL STATEMENTS
Year Ended July 31, 2015

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, 2015, advertising expense was approximately \$44,200, of which, approximately \$37,700 was donated in-kind. Of the total advertising expense, approximately \$38,800 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.

Subsequent Events

Management of the League has evaluated subsequent events through October 15, 2015, 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, 2015

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	\$ 206,427
One to two years	<u>4,722</u>
Unconditional promises to give	<u>\$ 211,149</u>

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>2,229,789</u>
Property and equipment, net	<u>\$ 6,847,923</u>

ROBERT POTTER LEAGUE FOR ANIMALS, INC.
NOTES TO THE FINANCIAL STATEMENTS
Year Ended July 31, 2015

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	\$	139,413
Equities:		
Basic materials		26,369
Financial		84,735
Consumer goods		54,421
Healthcare		9,286
Services		35,135
Technology		54,842
Industrial goods		31,436
Other equities		8,194
Total equities		304,418
Mutual Funds:		
Mid-cap blend		28,016
Small blend		30,523
Large blend		1,407,859
Large value		55,514
Nontraditional bond		75,289
Multisector bond		47,776
World allocation funds		57,079
Diversified emerging markets		35,239
Bank loan funds		44,072
World stock funds		34,227
Conservative allocation funds		88,609
Intermediate term funds		133,048
Health funds		29,793
Other mutual funds		279,052
Total mutual funds		2,346,096
Corporate Bonds		275,384
Total investments	\$	3,065,311

ROBERT POTTER LEAGUE FOR ANIMALS, INC.
NOTES TO THE FINANCIAL STATEMENTS
Year Ended July 31, 2015

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

Interest and dividends	\$ 81,205
Net realized and unrealized gains	10,378
Investment fees	<u>(13,687)</u>
 Total investment return	 <u>\$ 77,896</u>

6. Temporarily Restricted Net Assets

Temporarily restricted net assets consist of the following:

Restricted due to time, for general operations	\$ 223,699
Animal care	37,992
CoyoteSmarts	4,950
Camp scholarships	585
Appreciation of donor restricted endowment funds (note 7)	<u>89,136</u>
 Total temporarily restricted net assets	 <u>\$ 356,362</u>

Of the amounts restricted due to time, approximately \$219,000 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, 2015

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	\$ 10,884	\$ 178,312	\$ 189,196
General purposes	78,252	1,282,008	1,360,260
Total endowment funds	\$ 89,136	\$ 1,460,320	\$ 1,549,456

Changes in endowment net assets for the year ended July 31, 2015 are as follows:

	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 113,410	\$ 1,353,443	\$ 1,466,853
Contributions	-	106,877	106,877
Investment return:			
Interest and dividends, net	57,690	-	57,690
Net realized and unrealized gains	(31,964)	-	(31,964)
Total investment return	25,726	-	25,726
Appropriation of endowment earnings	(50,000)	-	(50,000)
Endowment net assets, end of year	\$ 89,136	\$ 1,460,320	\$ 1,549,456

ROBERT POTTER LEAGUE FOR ANIMALS, INC.
NOTES TO THE FINANCIAL STATEMENTS
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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, 2015.

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 \$17,586 to the IRA for the year ended July 31, 2015.

ROBERT POTTER LEAGUE FOR ANIMALS, INC.
NOTES TO THE FINANCIAL STATEMENTS
Year Ended July 31, 2015

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, 2015. The net cash surrender value of approximately \$28,000 is included in prepaid expenses and other assets on the statement of financial position.