

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

**Financial Statements**

**Year Ended July 31, 2016**

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

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

**FINANCIAL STATEMENTS**

**Year Ended July 31, 2016**

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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, 2016, 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, 2016, 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, 2015 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated October 15, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended July 31, 2015, 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 25, 2016



**ROBERT POTTER LEAGUE FOR ANIMALS, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**July 31, 2016**  
**(With Comparative Totals at July 31, 2015)**



	<u>2016</u>	<u>2015</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 904,453	\$ 767,542
Service receivables	24,549	12,550
Unconditional promises to give	29,661	211,149
Prepaid expenses and other assets	50,371	54,266
Property and equipment, net	6,533,373	6,847,923
Investments, at fair value	<u>3,849,472</u>	<u>3,065,311</u>
<b>Total Assets</b>	<u><u>\$ 11,391,879</u></u>	<u><u>\$ 10,958,741</u></u>
<b>Liabilities and Net Assets</b>		
<b>Liabilities:</b>		
Accounts payable	\$ 37,670	\$ 21,271
Accrued expenses	<u>63,833</u>	<u>59,632</u>
<b>Total liabilities</b>	<u><u>101,503</u></u>	<u><u>80,903</u></u>
<b>Net Assets:</b>		
Unrestricted:		
General	369,238	214,914
Investment in property and equipment, net	6,533,373	6,847,923
Board designated - operating reserve	577,100	563,400
Board designated - building reserve	138,140	107,750
Board designated - long-term investment reserve	<u>1,362,580</u>	<u>1,327,169</u>
<b>Total unrestricted net assets</b>	<u><u>8,980,431</u></u>	<u><u>9,061,156</u></u>
Temporarily restricted	849,625	356,362
Permanently restricted	<u>1,460,320</u>	<u>1,460,320</u>
<b>Total net assets</b>	<u><u>11,290,376</u></u>	<u><u>10,877,838</u></u>
<b>Total Liabilities and Net Assets</b>	<u><u>\$ 11,391,879</u></u>	<u><u>\$ 10,958,741</u></u>

ROBERT POTTER LEAGUE FOR ANIMALS, INC.  
STATEMENT OF ACTIVITIES  
Year Ended July 31, 2016  
(With Comparative Totals for the Year Ended July 31, 2015)



	2016	2015
Changes in unrestricted operating net assets:		
Operating revenue and support:		
Contributions and grants	\$ 596,593	\$ 602,300
Events, net of direct expenses of \$138,104 (Note 2)	166,575	183,078
Shelter services	312,058	288,446
Service contract fees	224,308	227,698
Sale of pet supplies, net	8,625	9,169
Appropriation of endowment earnings	50,000	50,000
Net assets released from restrictions	213,330	203,713
<b>Total operating revenue and support</b>	<b>1,571,489</b>	<b>1,564,404</b>
Program expenses:		
Shelter services	1,092,758	1,042,486
Education and training services	323,687	364,457
<b>Total program expenses</b>	<b>1,416,445</b>	<b>1,406,943</b>
Supporting services:		
Fundraising	309,924	289,896
Management and general	196,911	142,558
<b>Total supporting services</b>	<b>506,835</b>	<b>432,454</b>
<b>Total operating expenses</b>	<b>1,923,280</b>	<b>1,839,397</b>
<b>Changes in unrestricted net assets from operations</b>	<b>(351,791)</b>	<b>(274,993)</b>
Non-operating revenue and support:		
Contributions and grants	35,738	167,106
Investment return	47,739	52,170
Net assets released from restrictions	187,589	318,309
<b>Changes in non-operating revenue and support</b>	<b>271,066</b>	<b>537,585</b>
<b>Changes in total unrestricted net assets</b>	<b>(80,725)</b>	<b>262,592</b>
Changes in temporarily restricted net assets:		
Contributions and grants	913,098	320,062
Investment return - endowment	31,084	25,726
Net assets released from restrictions	(400,919)	(522,022)
Appropriation of endowment earnings	(50,000)	(50,000)
<b>Changes in total temporarily restricted net assets</b>	<b>493,263</b>	<b>(226,234)</b>
Changes in permanently restricted net assets:		
Contributions and grants	-	106,877
<b>Changes in total permanently restricted net assets</b>	<b>-</b>	<b>106,877</b>
<b>Change in total net assets</b>	<b>412,538</b>	<b>143,235</b>
Net assets, beginning of year	10,877,838	10,734,603
Net assets, end of year	<b>\$ 11,290,376</b>	<b>\$ 10,877,838</b>

**ROBERT POTTER LEAGUE FOR ANIMALS, INC.**  
**STATEMENT OF CASH FLOWS**  
**Year Ended July 31, 2016**  
**(With Comparative Totals for the Year Ended July 31, 2015)**



	<u>2016</u>	<u>2015</u>
Cash Flows from Operating Activities:		
Change in total net assets	\$ 412,538	\$ 143,235
Adjustments to reconcile change in total net assets to net cash provided by operating activities:		
Depreciation	322,019	320,124
Bad debt expense	635	300
Net realized and unrealized loss (gain) on investments	161	(10,378)
Contributions restricted for property and equipment	(2,500)	(2,100)
Contributions restricted for permanently restricted endowment	-	(106,877)
Changes in operating assets and liabilities:		
Service receivables	(12,634)	(5,903)
Unconditional promises to give	181,488	192,485
Prepaid expenses and other assets	3,895	(12,885)
Accounts payable	16,399	(33,955)
Accrued expenses	4,201	863
<b>Net cash provided by operating activities</b>	<u><b>926,202</b></u>	<u><b>484,909</b></u>
Cash Flows from Investing Activities:		
Purchase of property and equipment	(7,469)	-
Purchases of investments	(874,831)	(1,035,142)
Proceeds from sale of investments	90,509	68,534
<b>Net cash used by investing activities</b>	<u><b>(791,791)</b></u>	<u><b>(966,608)</b></u>
Cash Flows from Financing Activities:		
Contributions restricted for property and equipment	2,500	2,100
Contributions restricted for permanently restricted endowment	-	106,877
<b>Net cash provided by financing activities</b>	<u><b>2,500</b></u>	<u><b>108,977</b></u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>136,911</b>	<b>(372,722)</b>
<b>Cash and Cash Equivalents, beginning of year</b>	<u><b>767,542</b></u>	<u><b>1,140,264</b></u>
<b>Cash and Cash Equivalents, end of year</b>	<u><u><b>\$ 904,453</b></u></u>	<u><u><b>\$ 767,542</b></u></u>

**ROBERT POTTER LEAGUE FOR ANIMALS, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**Year Ended July 31, 2016**  
**(With Comparative Totals for the Year Ended July 31, 2015)**

	2016						2015	
	Program Expenses			Supporting Services				
	Shelter Services	Education & Training Services	Total Program Expenses	Fundraising	Management and General	Total Supporting Services	Total Expenses	Total Expenses
Salaries and wages	\$ 468,550	\$ 121,050	\$ 589,600	\$ 190,685	\$ 55,090	\$ 245,775	\$ 835,375	\$ 808,804
Professional fees	11,030	2,332	13,362	4,375	5,363	9,738	23,100	22,508
Program supplies	31,353	1,502	32,855	3,582	6,804	10,386	43,241	36,835
Veterinary fees and supplies	131,635	-	131,635	-	-	-	131,635	121,786
Occupancy costs	55,956	16,219	72,175	1,536	8,095	9,631	81,806	85,427
Printing and publications	4,809	16,815	21,624	20,439	381	20,820	42,444	42,020
Employee benefits	37,655	15,500	53,155	29,116	7,514	36,630	89,785	82,782
Payroll taxes	42,483	10,611	53,094	15,565	3,882	19,447	72,541	71,371
Fees and other miscellaneous expenses	5,485	1,346	6,831	1,567	34,153	35,720	42,551	10,153
Advertising	1,804	564	2,368	-	-	-	2,368	5,467
Postage	1,037	852	1,889	10,695	348	11,043	12,932	14,048
Insurance	18,080	5,223	23,303	3,571	5,376	8,947	32,250	29,864
Food costs	13,919	190	14,109	-	-	-	14,109	13,440
Repairs and maintenance	25,568	7,411	32,979	-	3,497	3,497	36,476	38,694
Computer expenses	10,743	9,692	20,435	11,250	8,518	19,768	40,203	43,149
Training and strategic planning	700	3,295	3,995	727	11,839	12,566	16,561	12,580
Shelter expenses	5,773	29,350	35,123	-	-	-	35,123	46,654
Contracted labor	-	17,865	17,865	-	12,687	12,687	30,552	18,270
Telephone	2,628	1,126	3,754	1,502	2,253	3,755	7,509	7,691
Transport fees and travel expenses	8,160	607	8,767	300	998	1,298	10,065	7,430
Bad debt expense	635	-	635	-	-	-	635	300
<b>Total expenses before depreciation</b>	<b>878,003</b>	<b>261,550</b>	<b>1,139,553</b>	<b>294,910</b>	<b>166,798</b>	<b>461,708</b>	<b>1,601,261</b>	<b>1,519,273</b>
Depreciation	214,755	62,137	276,892	15,014	30,113	45,127	322,019	320,124
<b>Total operating expenses</b>	<b>\$ 1,092,758</b>	<b>\$ 323,687</b>	<b>\$ 1,416,445</b>	<b>\$ 309,924</b>	<b>\$ 196,911</b>	<b>\$ 506,835</b>	<b>\$ 1,923,280</b>	<b>\$ 1,839,397</b>

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



**ROBERT POTTER LEAGUE FOR ANIMALS, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**Year Ended July 31, 2016**



**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, 2016**

***Performance Indicator***

In the accompanying statement of activities, the primary indicator of the League's results is "changes in unrestricted net assets from operations," which includes revenue and support and expenses related to the ongoing operations of the League. Transactions such as investment return, bequests, unrestricted contributions and grants related to real property and net assets released from restrictions related to the collection of unconditional promises to give are included as a component of non-operating revenue and support on the statement of activities.

***Summarized Comparative Financial Information***

The accompanying financial statements include certain prior-year summarized comparative information without accompanying note disclosure. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America due to the lack of comparative note disclosures. Accordingly, such information should be read in conjunction with the League's financial statements and related notes to the financial statements for the year ended July 31, 2015, 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, 2016.

***Unconditional Promises to Give***

Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are discounted and recorded at the net present value of the estimated future cash flows, when the discount is material. Conditional promises to give are not included in support until such time as the conditions are substantially met.

The League uses the allowance method to reflect uncollectible promises to give. The allowance is based on prior years' collection experience and management's analysis of the specific promises to give at the end of the year. At year-end, management has deemed that an allowance is not necessary.



**ROBERT POTTER LEAGUE FOR ANIMALS, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**Year Ended July 31, 2016**



***Property and Equipment***

Property and equipment are stated at cost or, if donated, at the fair market value at the date of the gift. Renewals and betterments over \$5,000 that materially extend the life of the assets are capitalized. Depreciation is computed on the straight-line method over the estimated useful lives of the related assets, which range from 3 to 30 years.

***Investments and Fair Value Measurements***

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

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

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

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

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

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

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

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

**ROBERT POTTER LEAGUE FOR ANIMALS, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**Year Ended July 31, 2016**



***Revenue Recognition***

Revenue is substantially derived from private contributions and grants. The League recognizes contributions and grants in the fiscal year in which the contribution is made. Contributions and grants are recorded as unrestricted, temporarily restricted, or permanently restricted depending on the existence and/or nature of any donor imposed restrictions. The League recognizes revenue for events when the event takes place.

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

***Contributed Goods and Services***

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

The fair value of these contributed goods and services is included in contributions and grants in the statement of activities, except for those amounts benefiting fundraising events of the League, which are included in events, net in the statement of activities. For the year ended July 31, 2016, the value of contributed goods and services was \$99,401, of which approximately \$83,000 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. 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 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.

**ROBERT POTTER LEAGUE FOR ANIMALS, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**Year Ended July 31, 2016**

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, 2016, advertising expense was approximately \$41,300, of which, approximately \$37,100 was donated in-kind. Of the total advertising expense, approximately \$38,900 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.

***Subsequent Events***

Management of the League has evaluated subsequent events through October 25, 2016, 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, 2016**



**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	\$ 23,754
One to five years	<u>5,907</u>
Unconditional promises to give	<u>\$ 29,661</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 or restricted contributions and grants.

**4. Property and Equipment**

Property and equipment consisted of the following:

Buildings	\$ 8,720,457
Leasehold improvements	33,604
Office equipment and software	247,723
Vehicles	<u>50,437</u>
	9,052,221
Less accumulated depreciation	<u>2,518,848</u>
Property and equipment, net	<u>\$ 6,533,373</u>

**ROBERT POTTER LEAGUE FOR ANIMALS, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**Year Ended July 31, 2016**



**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	\$ 85,139
Equities:	
Basic materials	29,390
Financial	76,003
Consumer goods	69,036
Services	38,270
Technology	37,435
Industrial goods	34,417
Other equities	16,968
Total equities	<u>301,519</u>
Mutual Funds:	
Mid-cap blend	44,029
Small blend	52,064
Large blend	2,174,493
Large value	114,364
Inflation protected bond	26,536
Nontraditional bond	92,989
Multisector bond	102,649
Diversified emerging markets	25,393
Bank loan funds	48,444
Precious metals	27,860
Conservative allocation funds	97,461
Intermediate term funds	83,715
Health funds	29,052
Other EFTs	55,234
Other mutual funds	230,792
Total mutual funds	<u>3,205,075</u>
Corporate Bonds	<u>257,739</u>
Total investments	<u>\$ 3,849,472</u>

**ROBERT POTTER LEAGUE FOR ANIMALS, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**Year Ended July 31, 2016**



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

Interest and dividends	\$ 94,493
Net realized and unrealized losses	(161)
Investment fees	<u>(15,509)</u>
Total investment return	<u>\$ 78,823</u>

**6. Temporarily Restricted Net Assets**

Temporarily restricted net assets consist of the following:

Restricted due to time, for general operations	\$ 54,210
Animal care	22,495
CoyoteSmarts	2,700
Dean & Perry Jerozal Fund for protection, care and feeding of animals	700,000
Appreciation of donor restricted endowment funds (note 7)	<u>70,220</u>
Total temporarily restricted net assets	<u>\$ 849,625</u>

Of the amounts restricted due to time, approximately \$48,000 is expected to be released within one year.

**7. Endowment and Permanently Restricted Net Assets**

The League's endowment consists of various donor-restricted funds established to prevent inhumane treatment towards animals, provide care and shelter for lost or unwanted animals and provide education to the public. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are reported in the financial statements based on the existence or absence of donor-imposed restrictions.



**ROBERT POTTER LEAGUE FOR ANIMALS, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**Year Ended July 31, 2016**



***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	\$ 8,574	\$ 178,312	\$ 186,886
General purposes	61,646	1,282,008	1,343,654
Total endowment funds	<u>\$ 70,220</u>	<u>\$ 1,460,320</u>	<u>\$ 1,530,540</u>

Changes in endowment net assets for the year ended July 31, 2016 are as follows:

	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 89,136	\$ 1,460,320	\$ 1,549,456
Investment return:			
Interest and dividends, net	51,861	-	51,861
Net realized and unrealized losses	(20,777)	-	(20,777)
Total investment return	<u>31,084</u>	<u>-</u>	<u>31,084</u>
Appropriation of endowment earnings	<u>(50,000)</u>	<u>-</u>	<u>(50,000)</u>
Endowment net assets, end of year	<u>\$ 70,220</u>	<u>\$ 1,460,320</u>	<u>\$ 1,530,540</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, 2016.

***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 \$18,746 to the IRA for the year ended July 31, 2016.

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In addition, the League provides a deferred compensation benefit in the form of a split dollar life insurance policy to the Executive Director. There were no expenditures related to this benefit for the year ended July 31, 2016. The net cash surrender value of approximately \$27,000 is included in prepaid expenses and other assets on the statement of financial position.