

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

Financial Statements

Year Ended July 31, 2020

(With Independent Auditors' Report Thereon)

ROBERT POTTER LEAGUE FOR ANIMALS, INC.
FINANCIAL STATEMENTS
Year Ended July 31, 2020

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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, 2020, and the related statements of activities, functional expenses and cash flows 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, 2020, 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, 2019 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated November 18, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended July 31, 2019, 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, Renya & Co., Ltd.

January 7, 2021

ROBERT POTTER LEAGUE FOR ANIMALS, INC.
STATEMENT OF FINANCIAL POSITION
July 31, 2020
(With Comparative Totals at July 31, 2019)



	2020	2019
Assets		
Cash and cash equivalents	\$ 781,534	\$ 744,591
Service receivables	40,137	51,800
Unconditional promises to give	2,912	29,260
Prepaid expenses and other assets	20,409	36,107
Property and equipment, net	5,563,279	5,675,780
Investments, at fair value	5,214,855	4,615,167
Total Assets	\$ 11,623,126	\$ 11,152,705
Liabilities and Net Assets		
Liabilities:		
Accounts payable	\$ 46,822	\$ 55,165
Accrued expenses	97,765	150,962
PPP loan payable	392,500	-
Mortgage payable	153,320	-
Total liabilities	690,407	206,127
Net Assets:		
Without donor restrictions:		
General	24,847	38,921
Investment in property and equipment, net	5,409,959	5,675,780
Board designated - operating reserve	1,070,600	1,098,600
Board designated - building reserve	271,065	233,538
Board designated - long-term investment reserve	2,298,528	2,246,453
Total net assets without donor restrictions	9,074,999	9,293,292
With donor restrictions	1,857,720	1,653,286
Total net assets	10,932,719	10,946,578
Total Liabilities and Net Assets	\$ 11,623,126	\$ 11,152,705

ROBERT POTTER LEAGUE FOR ANIMALS, INC.
STATEMENT OF ACTIVITIES
Year Ended July 31, 2020
(With Comparative Totals for the Year Ended July 31, 2019)



	2020			2019
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Changes in Total Operating Net Assets:				
Operating revenue and support:				
Contributions and grants	\$ 974,912	\$ 237,904	\$ 1,212,816	\$ 1,079,662
Events, net of expenses \$68,808 (Note 2)	189,031	-	189,031	228,686
Shelter services	357,843	-	357,843	430,641
Service contract fees	212,616	-	212,616	213,994
Spay and neuter services	617,145	-	617,145	323,106
Sale of pet supplies, net	7,203	-	7,203	10,706
Appropriation of endowment and Board designated investment earnings	75,006	-	75,006	149,982
Net assets released from restrictions	218,336	(218,336)	-	-
Total operating revenue and support	2,652,092	19,568	2,671,660	2,436,777
Program expenses:				
Shelter services	1,359,807	-	1,359,807	1,448,870
Education and training services	366,337	-	366,337	369,503
Spay and neuter services	880,299	-	880,299	342,431
Total program expenses	2,606,443	-	2,606,443	2,160,804
Supporting services:				
Fundraising	414,162	-	414,162	375,276
Management and general	179,567	-	179,567	203,738
Total supporting services	593,729	-	593,729	579,014
Total operating expenses	3,200,172	-	3,200,172	2,739,818
Changes in total net assets from operations	(548,080)	19,568	(528,512)	(303,041)
Changes in Total Non-operating Net Assets:				
Non-operating revenue and support:				
Contributions and grants	28,000	-	28,000	21,500
Investment return	351,787	209,872	561,659	128,544
Excess of assets over liabilities assumed in acquisition (note 3)	-	-	-	91,200
Appropriation of endowment and Board designated investment earnings	(50,000)	(25,006)	(75,006)	(149,982)
Total non-operating revenue and support	329,787	184,866	514,653	91,262
Change in Total Net Assets	(218,293)	204,434	(13,859)	(211,779)
Net Assets, beginning of year	9,293,292	1,653,286	10,946,578	11,158,357
Net Assets, end of year	\$ 9,074,999	\$ 1,857,720	\$ 10,932,719	\$ 10,946,578

ROBERT POTTER LEAGUE FOR ANIMALS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended July 31, 2020
(With Comparative Totals for the Year Ended July 31, 2019)



	2020							2019	
	Program Expenses				Supporting Services			Total Expenses	Total Expenses
	Shelter Services	Education and Training Services	Spay and Neuter Services	Total Program Expenses	Fundraising	Management and General	Total Supporting Services		
Salaries and wages	\$ 656,373	\$ 144,826	\$ 468,908	\$ 1,270,107	\$ 222,307	\$ 69,435	\$ 291,742	\$ 1,561,849	\$ 1,283,047
Employee benefits	69,510	28,930	64,321	162,761	32,877	8,654	41,531	204,292	150,831
Payroll taxes	60,932	5,507	39,918	106,357	18,161	3,912	22,073	128,430	106,461
Professional fees	16,418	3,892	4,530	24,840	7,429	7,381	14,810	39,650	26,622
Program supplies	28,110	9,334	161,257	198,701	4,730	1,322	6,052	204,753	139,236
Veterinary fees and supplies	132,166	-	-	132,166	-	-	-	132,166	186,020
Occupancy costs	62,545	18,129	59,628	140,302	1,872	9,072	10,944	151,246	118,746
Printing and publications	4,119	19,695	11	23,825	93,881	2,271	96,152	119,977	104,549
Interest expense	-	-	-	-	-	2,130	2,130	2,130	-
Fees and other miscellaneous expenses	5,371	10	18,268	23,649	7,453	9,091	16,544	40,193	24,031
Advertising	621	844	7,429	8,894	-	-	-	8,894	3,033
Insurance	21,049	5,726	3,928	30,703	4,135	6,615	10,750	41,453	36,887
Food costs	14,510	-	-	14,510	-	-	-	14,510	13,699
Repairs and maintenance	36,831	10,676	23,823	71,330	-	4,898	4,898	76,228	71,049
Computer expenses	5,166	12,407	-	17,573	13,671	13,633	27,304	44,877	49,356
Training and strategic planning	2,234	1,875	2,893	7,002	2,051	6,739	8,790	15,792	20,272
Shelter expenses	9,428	26,366	-	35,794	-	-	-	35,794	31,766
Contracted labor	10,815	16,081	13,033	39,929	-	1,000	1,000	40,929	40,590
Telephone	2,353	1,008	-	3,361	1,345	2,017	3,362	6,723	6,889
Transport fees and travel expenses	10,627	89	1,630	12,346	299	1,593	1,892	14,238	18,638
Bad debt expense	-	-	-	-	-	270	270	270	-
Total expenses before depreciation	1,149,178	305,395	869,577	2,324,150	410,211	150,033	560,244	2,884,394	2,431,722
Depreciation	210,629	60,942	10,722	282,293	3,951	29,534	33,485	315,778	308,096
Total operating expenses	\$ 1,359,807	\$ 366,337	\$ 880,299	\$ 2,606,443	\$ 414,162	\$ 179,567	\$ 593,729	\$ 3,200,172	\$ 2,739,818

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, 2020
(With Comparative Totals for the Year Ended July 31, 2019)



	<u>2020</u>	<u>2019</u>
Cash Flows from Operating Activities:		
Change in total net assets	\$ (13,859)	\$ (211,779)
Adjustments to reconcile change in total net assets to net cash provided (used) by operating activities:		
Depreciation	315,778	308,096
Bad debt expense	270	-
Net realized and unrealized gain on investments	(462,671)	(30,820)
Contributions restricted for property and equipment	(6,100)	(11,095)
Changes in operating assets and liabilities:		
Service receivables	11,663	(39,258)
Unconditional promises to give	26,348	(10,227)
Prepaid expenses and other assets	15,698	(6,939)
Accounts payable	(8,343)	6,726
Accrued expenses	(53,197)	61,884
Net cash provided (used) by operating activities	<u>(174,413)</u>	<u>66,588</u>
Cash Flows from Investing Activities:		
Purchases of property and equipment	(203,277)	(54,055)
Purchases of investments	(160,324)	(179,645)
Proceeds from sale of investments	23,307	157,448
Net cash used by investing activities	<u>(340,294)</u>	<u>(76,252)</u>
Cash Flows from Financing Activities:		
Contributions restricted for property and equipment	6,100	11,095
Proceeds from PPP loan payable	392,500	-
Borrowings on mortgage payable	154,500	-
Principal repayments on mortgage payable	(1,180)	-
Net cash provided by financing activities	<u>551,920</u>	<u>11,095</u>
Net Increase in Cash and Cash Equivalents	37,213	1,431
Cash and Cash Equivalents, beginning of year	<u>744,591</u>	<u>743,160</u>
Cash and Cash Equivalents, end of year	<u>\$ 781,804</u>	<u>\$ 744,591</u>

ROBERT POTTER LEAGUE FOR ANIMALS, INC.
NOTES TO THE FINANCIAL STATEMENTS
Year Ended July 31, 2020



1. Nature of Operations

Robert Potter League for Animals, Inc. (the League), a not-for-profit organization, originally founded in 1929, is dedicated to the prevention of inhumane treatment towards animals. The League provides care and shelter for lost or unwanted animals and, through the education of the public, helps secure their future.

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

2. Summary of Significant Accounting Policies

This summary of significant accounting policies is presented to assist the reader in understanding the League's financial statements. The financial statements and notes are representations of the League's management, who is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

Accounting Pronouncements Adopted

Effective August 1, 2019, the League adopted the Financial Accounting Standard Board (FASB) Accounting Standards Update (ASU) 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The standard provides guidance on characterizing grants and similar contracts as reciprocal exchanges or contributions, determine whether a contribution is conditional and the simultaneous release option.

The adoption of ASU 2018-08 did not have a significant effect on the League's 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 two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

ROBERT POTTER LEAGUE FOR ANIMALS, INC.
NOTES TO THE FINANCIAL STATEMENTS
Year Ended July 31, 2020

Net Assets without Donor Restrictions

Net assets without donor restrictions are available for use at the discretion of the Board of Directors (the Board) and/or management for general operating purposes. In addition, the Board has designated various amounts within net assets without donor restrictions into reserves in accordance with the guidelines of other not-for-profit watchdog agencies. The following reserves have been established:

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

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

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

Net Assets with Donor Restrictions

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

Performance Indicator

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

ROBERT POTTER LEAGUE FOR ANIMALS, INC.
NOTES TO THE FINANCIAL STATEMENTS
Year Ended July 31, 2020

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, 2019, 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, 2020.

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, 2020

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.

PPP Loan Payable

The League received a Paycheck Protection Program loan and has elected to record this funding as a loan payable. Loan forgiveness will be recognized when the League satisfies the conditions for loan forgiveness and the forgiveness amount is formally approved by the U.S. Small Business Administration (SBA).

ROBERT POTTER LEAGUE FOR ANIMALS, INC.
NOTES TO THE FINANCIAL STATEMENTS
Year Ended July 31, 2020

Revenue Recognition

Revenue is substantially derived from private contributions and grants. The League recognizes contributions and grants in the fiscal year in which the contribution is made. Contributions and grants are recorded as with or without donor restrictions, depending on the existence and/or nature of any donor imposed restrictions. The League recognizes revenue for events when the event takes place.

The League recognizes shelter service, service contract fees and spay and neuter services 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, 2020, the value of contributed goods and services was approximately \$46,700, of which approximately \$30,300 benefited events.

Income Taxes

The League is exempt from income taxes as a public charity under Section 501(c)(3) of the Internal Revenue Code. Management believes that the League operates in a manner consistent with their tax-exempt status at both a state and federal level.

The League annually files IRS Form 990 – *Return of Organization Exempt From Income Tax* reporting various information that the IRS uses to monitor the activities of tax-exempt entities. These tax returns are subject to review by the taxing authorities, generally for a period of three years after they were filed. The League currently has no tax examinations in progress.

Allocation of Expenses

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

ROBERT POTTER LEAGUE FOR ANIMALS, INC.
NOTES TO THE FINANCIAL STATEMENTS
Year Ended July 31, 2020

Occupancy Expenses

The League's animal shelter is located on land owned by the State of Rhode Island. The League leases the land from the State of Rhode Island for one dollar per year under a lease agreement, which expires December 31, 2053. The fair value of this lease cannot be determined at this time and is not included in the League's statement of activities.

Advertising Costs

The League expenses advertising costs as they are incurred. Such advertising consists primarily of media advertisements promoting animals available for adoption and any of the League's special events. For the year ended July 31, 2020, advertising expense was approximately \$24,100, of which, approximately \$15,200 was donated in-kind and 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.

Risks and Uncertainties

The COVID-19 outbreak in the United States has resulted in a disruption in operations. These recent developments could result in delays in receiving of funds, and a reduction in program services and its related revenue. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration. While the Center's operations continue, it is possible that this outbreak could negatively impact future operating results; however, the related financial impact and duration cannot be reasonably estimated at this time

Recent Accounting Pronouncements

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

ROBERT POTTER LEAGUE FOR ANIMALS, INC.
NOTES TO THE FINANCIAL STATEMENTS
Year Ended July 31, 2020

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers*, followed by subsequent accounting pronouncements which either clarified or revised guidance set forth in ASU 2014-09. The standard's core principle is that an Organization will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the Organization expects to be entitled in exchange for those goods or services. This standard also includes expanded disclosure requirements that result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. This standard will be effective for the League's year ending July 31, 2021.

In February 2016, the FASB issued ASU 2016-02, *Leases*, which is effective for annual periods beginning after December 15, 2021. The standard requires all leases with lease terms over 12 months to be capitalized as a right-of-use asset and lease liability on the statement of financial position at the date of lease commencement. Leases will be classified as either financing or operating. This distinction will be relevant for the pattern of expense recognition in the statement of activities. This standard will be effective for the League's year ending July 31, 2023, with early adoption permitted.

3. Acquisition

Effective March 29, 2019, the League entered into an agreement with RISNC. No consideration was provided in connection with the agreement.

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

ROBERT POTTER LEAGUE FOR ANIMALS, INC.
NOTES TO THE FINANCIAL STATEMENTS
Year Ended July 31, 2020



4. Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following at July 31, 2020:

Financial assets:	
Cash and cash equivalents	\$ 781,534
Service receivables	40,137
Unconditional promises to give	2,912
Investments	<u>5,214,855</u>
Financial assets, at July 31, 2020	<u>6,039,438</u>
Less those unavailable for general expenditure within one year, due to:	
Unconditional promises to give, long term portion	1,914
Total endowment funds	1,737,071
Time and purpose restrictions	120,649
Board designated funds for building reserve	271,065
Board designated funds for long-term investment reserve	<u>2,498,528</u>
	<u>4,629,227</u>
Financial assets available to meet general expenditure needs within one year	<u>\$ 1,410,211</u>

The League has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. To help manage unanticipated liquidity needs, the League has an operating reserve equal to approximately 120 days of projected operating expenditures, excluding depreciation, for operations in an event of an operating contingency. In addition, the League has board designated investments held for long-term purposes of \$2,498,528, in which up to 5% can be made available annually for operations and programs. During the year ended July 31, 2020, \$50,000 was transferred to operations from this reserve.

5. Unconditional Promises to Give

Unconditional promises to give consist of promises to give from contributors over the next several years to support the League's charitable mission. The promised contributions are due as follows:

Within one year	\$ 998
One to five years	<u>1,914</u>
Unconditional promises to give	<u>\$ 2,912</u>

ROBERT POTTER LEAGUE FOR ANIMALS, INC.
NOTES TO THE FINANCIAL STATEMENTS
Year Ended July 31, 2020



6. Property and Equipment

Property and equipment consisted of the following:

Building and building improvements	\$ 8,962,588
Office equipment and software	223,958
Vehicles	92,756
	<u>9,279,302</u>
Less accumulated depreciation	<u>3,716,023</u>
Property and equipment, net	<u><u>\$ 5,563,279</u></u>

7. Investments

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

Cash	\$ 58,618
Mutual Funds:	
Large blend	5,089,060
Large value	6,735
Short-term bond	33,305
High yield fund	17,778
Non-traditional bond	7,875
Other mutual funds	1,484
Total mutual funds	<u>5,156,237</u>
Total investments	<u><u>\$ 5,214,855</u></u>

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

Interest and dividends	\$ 100,295
Net realized and unrealized gains	462,671
Investment fees	<u>(1,307)</u>
Total investment return	<u><u>\$ 561,659</u></u>

ROBERT POTTER LEAGUE FOR ANIMALS, INC.
NOTES TO THE FINANCIAL STATEMENTS
Year Ended July 31, 2020

8. Debt

PPP Loan Payable

On April 20, 2020, the League received loan proceeds of approximately \$392,500, under the Paycheck Protection Program (PPP), which was established as part of the Coronavirus Aid, Relief and Economic Security Act (CARES Act) in response to the Coronavirus (COVID-19) outbreak. Proceeds from this loan (PPP Loan) may only be used for payroll costs, costs used to continue group health care benefits, mortgage interest payments, rent, utilities, and interest on other debt obligations, provided the related agreements were effective prior to February 15, 2020. The PPP Loan is set to mature on April 20, 2022 and bears interest at a rate of 1% per annum, payable monthly. There was no accrued interest on the PPP Loan as of July 31, 2020, as it would be immaterial to the overall financial statements. The loan may be prepaid by the League at any time prior to maturity with no prepayment penalties. Under the terms of the PPP, certain amounts of the PPP Loan may be forgiven if they are used for qualifying expenses as described in the CARES Act.

The commencement date for PPP Loan payments and a potential revised maturity date will be determined upon the ultimate notification of loan forgiveness from the SBA. The League intends to use the entire PPP Loan proceeds in accordance with the loan terms and to apply for forgiveness. No assurance is provided that the League will obtain forgiveness of the PPP Loan, in whole or in part.

Mortgage Payable

The League executed a mortgage note, dated March 25, 2020, for a total of \$154,500 to purchase the previously leased office building for the Spay and Neuter Clinic. Total rent expense charged under the operating lease through March 2020 was approximately \$24,800. The note was provided by a local bank and is secured by the building located at 235 Elm Street, Warwick, Rhode Island. The note requires monthly payments of \$827, including interest at the five-year Federal Home Loan Bank of Boston (FHLBB) Classic Advance Rate plus 3.00% (4.08% for the initial 5-year term through March 2025). Thereafter, every fifth year, the interest rate will be reset at the then 5-year FHLBB Classic Advance Rate plus 3.00%, expiring March 2045. For the year ended July 31, 2020, \$2,130 of interest expense was paid.

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Maturities of the mortgage payable are as follows:

Year Ending

July 31, 2021	\$	3,745
July 31, 2022		3,901
July 31, 2023		4,063
July 31, 2024		4,232
July 31, 2025		4,408
Thereafter		<u>132,971</u>
Total	\$	<u><u>153,320</u></u>

9. Net Assets with Donor Restrictions

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

Subject to time restrictions, for general operations	\$	19,111
Subject to expenditure for specified purpose:		
Animal care		27,376
CoyoteSmarts		23,306
Clinic transportation		11,285
TLC (Training, Leadership, Coaching) Fund		10,042
StarKids afterschool program		9,979
Wellness clinics		9,870
Small animal housing		7,000
Summer camps		2,680
Appreciation of donor restricted endowment funds (Note 10)		<u>276,751</u>
		378,289
Subject to restriction in perpetuity (Note 10):		<u>1,460,320</u>
Total net assets with donor restrictions	\$	<u><u>1,857,720</u></u>

Of the amounts restricted due to time, approximately \$17,000 is expected to be released within one year.

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10. Endowment Funds

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

Interpretation of Relevant Law - The Rhode Island Uniform Prudent Management of Institutional Funds Act (RI UPMIFA) requires the preservation of the fair value of the original gift as of the gift date of the donor-imposed endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the League classifies as net assets with donor restrictions (a) the original value of the gift donated to the fund, (b) the original value of subsequent gifts to the fund, and (c) accumulations to the fund made in accordance with the direction of the applicable donor gift instrument at the time accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified as net assets with donor restriction in perpetuity is classified as net assets with donor restrictions subject to the spending policy and appropriation until those amounts are appropriated for expenditure by the League in a manner consistent with the standard of prudence prescribed by RI UPMIFA.

Endowment net asset composition by type of fund at year end is as follows:

	Unappropriated Earnings	In Perpetuity	Total
Animal care, food and sheltering	\$ 33,793	\$ 178,312	\$ 212,105
General purposes	242,958	1,282,008	1,524,966
Total endowment funds	\$ 276,751	\$ 1,460,320	\$ 1,737,071

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Changes in endowment net assets for the year ended July 31, 2020 are as follows:

	Unappropriated gains (losses) and other	In Perpetuity	Total
Endowment net assets, beginning of year	\$ 91,885	\$ 1,460,320	\$ 1,552,205
Investment return:			
Interest and dividends, net	31,423	-	31,423
Net realized and unrealized gain	178,449	-	178,449
Total investment gain	209,872	-	209,872
Appropriation of endowment earnings	(25,006)	-	(25,006)
Endowment net assets, end of year	\$ 276,751	\$ 1,460,320	\$ 1,737,071

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, 2020.

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.

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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.

11. Employee Benefit Plans

The League has a SIMPLE IRA plan (IRA) established under Section 408(p) of the Internal Revenue Code. The IRA 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 \$33,703 to the IRA for the year ended July 31, 2020.

12. Concentrations of Credit Risk

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

The League maintains its cash and cash equivalents balances in four financial institutions. The balance at each institution is insured by the Federal Deposit Insurance Corporation up to \$250,000. From time to time, the League's cash and cash equivalents balances may exceed this limit. Cash and cash equivalents balances in excess of \$250,000 are generally uninsured. At year end, management does not believe significant credit risk exists relative to cash and cash equivalents.

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.

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13. Subsequent Events

Effective September 25, 2020, the League entered into an agreement with the Rhode Island Companion Animal Alliance, d/b/a Pets In Need Veterinary Clinic (PINC). Pursuant to the terms of the agreement, as of the effective date, all assets of PINC were transferred to the League and the League became the surviving organization. Additionally, the League assumed the building lease for the PINC under a non-cancelable operating lease. No consideration was provided in connection with the agreement.

Management of the League has evaluated subsequent events through January 7, 2021 which is the date these financial statements were available to be issued.