

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

Financial Statements

Year Ended July 31, 2022

(With Independent Auditors' Report Thereon)



**ROBERT POTTER LEAGUE FOR ANIMALS, INC.
FINANCIAL STATEMENTS
Year Ended July 31, 2022**

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Robert Potter League for Animals, Inc.:

Opinion

We have audited the accompanying financial statements of Robert Potter League for Animals, Inc. (a nonprofit organization) (the League), which comprise the statement of financial position as of July 31, 2022, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

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, 2022, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the League and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the League's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the League's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited the League's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 29, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended July 31, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Kahn, Litwin, Kenya & Co, Ltd.

December 8, 2022

ROBERT POTTER LEAGUE FOR ANIMALS, INC.
STATEMENT OF FINANCIAL POSITION
July 31, 2022
(With Comparative Totals at July 31, 2021)



	<u>2022</u>	<u>2021</u>
Assets		
Cash and cash equivalents	\$ 971,105	\$ 580,403
Service receivables	170,391	42,813
Unconditional promises to give	45,615	18,963
Prepaid expenses and other assets	39,525	26,530
Property and equipment, net	5,011,753	5,304,081
Investments, at fair value	<u>6,236,244</u>	<u>6,557,537</u>
Total Assets	<u>\$ 12,474,633</u>	<u>\$ 12,530,327</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable	\$ 114,885	\$ 138,612
Accrued expenses	135,293	118,136
Mortgage payable	<u>145,852</u>	<u>149,663</u>
Total liabilities	<u>396,030</u>	<u>406,411</u>
Net Assets:		
Without donor restrictions:		
General	72,185	48,413
Investment in property and equipment, net	4,865,901	5,154,418
Board designated - operating reserve	1,599,200	1,519,100
Board designated - building reserve	252,902	272,241
Board designated - long-term investment reserve	<u>3,176,972</u>	<u>2,896,539</u>
Total net assets without donor restrictions	<u>9,967,160</u>	<u>9,890,711</u>
With donor restrictions	<u>2,111,443</u>	<u>2,233,205</u>
Total net assets	<u>12,078,603</u>	<u>12,123,916</u>
Total Liabilities and Net Assets	<u>\$ 12,474,633</u>	<u>\$ 12,530,327</u>

ROBERT POTTER LEAGUE FOR ANIMALS, INC.
STATEMENT OF ACTIVITIES
Year Ended July 31, 2022
(With Comparative Totals for the Year Ended July 31, 2021)



	2022			2021
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Changes in Total Operating Net Assets:				
Operating revenue and support:				
Contributions and grants	\$ 1,170,305	\$ 521,479	\$ 1,691,784	\$ 1,344,659
Events, net of expenses \$126,875 (Note 2)	216,617	-	216,617	183,316
Shelter services	386,769	-	386,769	284,913
Service contract fees	204,339	-	204,339	206,035
Spay and neuter services	810,065	-	810,065	506,231
Clinic services	548,279	-	548,279	343,835
Sale of pet supplies, net	9,207	-	9,207	5,765
PPP loan forgiveness	-	-	-	392,500
Appropriation of endowment and Board designated investment earnings	100,000	-	100,000	229,977
Net assets released from restrictions	374,763	(374,763)	-	-
Total operating revenue and support	3,820,344	146,716	3,967,060	3,497,231
Program expenses:				
Shelter services	1,532,777	-	1,532,777	1,442,637
Education and training services	419,789	-	419,789	317,556
Spay and neuter services	933,589	-	933,589	761,909
Clinic services	1,068,555	-	1,068,555	712,697
Total program expenses	3,954,710	-	3,954,710	3,234,799
Supporting services:				
Fundraising	436,451	-	436,451	411,106
Management and general	206,944	-	206,944	188,443
Total supporting services	643,395	-	643,395	599,549
Total operating expenses	4,598,105	-	4,598,105	3,834,348
Change in total net assets from operations	(777,761)	146,716	(631,045)	(337,117)
Changes in Total Non-operating Net Assets:				
Non-operating revenue and support:				
Contributions and grants	1,404,600	-	1,404,600	298,771
Investment return	(450,390)	(268,478)	(718,868)	1,267,430
Assets assumed in acquisition	-	-	-	192,090
Appropriation of endowment and Board designated investment earnings	(100,000)	-	(100,000)	(229,977)
Total non-operating revenue and support	854,210	(268,478)	585,732	1,528,314
Change in Net Assets	76,449	(121,762)	(45,313)	1,191,197
Net Assets, beginning of year	9,890,711	2,233,205	12,123,916	10,932,719
Net Assets, end of year	\$ 9,967,160	\$ 2,111,443	\$ 12,078,603	\$ 12,123,916

ROBERT POTTER LEAGUE FOR ANIMALS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended July 31, 2022
(With Comparative Totals for the Year Ended July 31, 2021)



	2022								2021	
	Program Expenses					Supporting Services				
	Shelter Services	Education and Training Services	Spay and Neuter Services	Clinic Services	Total Program Expenses	Fundraising	Management and General	Total Supporting Services	Total Expenses	Total Expenses
Salaries and wages	\$ 713,559	\$ 122,424	\$ 511,464	616,377	\$ 1,963,824	\$ 247,512	\$ 82,184	\$ 329,696	\$ 2,293,520	\$ 1,947,161
Employee benefits	62,619	7,292	41,901	37,796	149,608	24,961	9,249	34,210	183,818	203,563
Payroll taxes	67,218	4,906	43,250	64,686	180,060	21,353	5,848	27,201	207,261	169,138
Professional fees	12,473	1,305	3,937	3,814	21,529	5,780	5,782	11,562	33,091	30,191
Program supplies	48,864	103,611	177,499	204,217	534,191	11,076	11,173	22,249	556,440	289,543
Veterinary fees and supplies	165,155	-	-	-	165,155	-	-	-	165,155	127,919
Occupancy costs	60,346	15,621	37,591	76,003	189,561	2,316	8,749	11,065	200,626	147,514
Printing and publications	13,019	13,986	12	-	27,017	91,822	2,260	94,082	121,099	112,892
Interest expense	-	-	-	-	-	-	6,118	6,118	6,118	6,273
Fees and other miscellaneous expenses	5,953	1,550	21,252	24,082	52,837	4,079	5,114	9,193	62,030	50,151
Advertising	1,328	5,197	1,592	3,305	11,422	-	3,823	3,823	15,245	15,658
Insurance	29,671	6,337	17,960	2,428	56,396	7,604	6,306	13,910	70,306	55,561
Food costs	20,136	-	-	-	20,136	-	-	-	20,136	12,055
Repairs and maintenance	65,675	17,001	20,807	18,362	121,845	-	10,341	10,341	132,186	152,393
Computer expenses	21,081	22,077	-	-	43,158	10,321	8,995	19,316	62,474	62,696
Training and strategic planning	5,114	3,946	4,256	4,484	17,800	2,341	6,218	8,559	26,359	12,589
Shelter expenses	6,336	25,476	-	-	31,812	-	-	-	31,812	28,706
Contracted labor	-	11,632	31,184	-	42,816	-	-	-	42,816	54,237
Telephone	4,823	2,067	5,378	5,703	17,971	2,756	4,134	6,890	24,861	19,437
Transport fees and travel expenses	15,439	-	266	-	15,705	261	1,064	1,325	17,030	13,283
Bad debt expense	-	-	-	-	-	350	315	665	665	115
Total expenses before depreciation	1,318,809	364,428	918,349	1,061,257	3,662,843	432,532	177,673	610,205	4,273,048	3,511,075
Depreciation	213,968	55,361	15,240	7,298	291,867	3,919	29,271	33,190	325,057	323,273
Total operating expenses	\$ 1,532,777	\$ 419,789	\$ 933,589	\$ 1,068,555	\$ 3,954,710	\$ 436,451	\$ 206,944	\$ 643,395	\$ 4,598,105	\$ 3,834,348

ROBERT POTTER LEAGUE FOR ANIMALS, INC.
STATEMENT OF CASH FLOWS
Year Ended July 31, 2022
(With Comparative Totals for the Year Ended July 31, 2021)



	<u>2022</u>	<u>2021</u>
Cash Flows from Operating Activities:		
Change in net assets	\$ (45,313)	\$ 1,191,197
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	325,057	323,273
Bad debt expense	665	115
Net realized and unrealized losses (gains) on investments	813,482	(1,186,318)
Contributions restricted for property and equipment	(16,500)	(2,000)
PPP loan forgiveness	-	(392,500)
Non-cash assets assumed in acquisition	-	(12,988)
Changes in operating assets and liabilities:		
Service receivables	(128,243)	(2,791)
Unconditional promises to give	(26,652)	(16,051)
Prepaid expenses and other assets	(12,995)	(6,121)
Accounts payable	(23,727)	91,790
Accrued expenses	17,157	20,371
Net cash provided by operating activities	<u>902,931</u>	<u>7,977</u>
Cash Flows from Investing Activities:		
Purchases of property and equipment	(32,729)	(51,087)
Purchases of investments	(803,532)	(348,073)
Proceeds from sale of investments	311,343	191,709
Net cash used by investing activities	<u>(524,918)</u>	<u>(207,451)</u>
Cash Flows from Financing Activities:		
Contributions restricted for property and equipment	16,500	2,000
Principal repayments on mortgage payable	(3,811)	(3,657)
Net cash provided (used) by financing activities	<u>12,689</u>	<u>(1,657)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	390,702	(201,131)
Cash and Cash Equivalents, beginning of year	<u>580,403</u>	<u>781,534</u>
Cash and Cash Equivalents, end of year	<u>\$ 971,105</u>	<u>\$ 580,403</u>

ROBERT POTTER LEAGUE FOR ANIMALS, INC.
NOTES TO THE FINANCIAL STATEMENTS
Year Ended July 31, 2022



1. Nature of Operations

Robert Potter League for Animals, Inc. (the League), a not-for-profit organization, originally founded in 1929, is dedicated to promoting and supporting the human animal bond. The League is Rhode Island's go-to care and resource center where we provide shelter, veterinary care, behavior training, spay & neuter, owner assistance programs, humane education, and the opportunity for thousands of animals to find loving homes each year.

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 Pronouncement Adopted

In September 2020, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which provides new presentation and disclosure requirements for contributed nonfinancial assets. The League adopted ASU 2020-07 effective August 1, 2021; the adoption 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.

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.

ROBERT POTTER LEAGUE FOR ANIMALS, INC.
NOTES TO THE FINANCIAL STATEMENTS
Year Ended July 31, 2022



Building Reserve – The League has a building reserve fund to provide for major repairs and improvements to the shelter. 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 "change 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, bequests, investment return, excess of assets over liabilities assumed in acquisition, appropriation of endowment and Board designated investment earnings and transfers to operations are included as a component of non-operating revenue and support in the statement of activities.

Comparative Financial Information

The accompanying financial statements include certain prior year summarized comparative information in total, without accompanying note disclosures and certain functional expense information. Such information does not include sufficient detail to constitute a presentation in accordance with accounting principles generally accepted in the United States of America. 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, 2021, 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 designated by the Board for long-term purposes.

ROBERT POTTER LEAGUE FOR ANIMALS, INC.
NOTES TO THE FINANCIAL STATEMENTS
Year Ended July 31, 2022



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, 2022; therefore, no allowance is necessary.

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 value at the date of the gift. Renewals and betterments over \$5,000 that materially extend the lives 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.

ROBERT POTTER LEAGUE FOR ANIMALS, INC.
NOTES TO THE FINANCIAL STATEMENTS
Year Ended July 31, 2022



Level 2 inputs (other than quoted prices included within level 1) 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.

Revenue Recognition

The League recognizes contributions, grants and unconditional promises to give in the fiscal year in which the contribution or grant is received or when the unconditional promise to give 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.

Service contract fees, shelter, spay and neuter, and clinic service fees are measured based on the consideration specified in the contract with the customer. The League recognizes shelter service, spay and neuter services and clinic services when services to clients have been rendered and/or contractual obligations have been met. Payment is due at the time of service. The League recognizes revenue from service contract fees, derived principally from animal control-related services provided to surrounding towns, over time as it satisfies its performance obligation by rendering services. Payment for contract service fees are collected in quarterly installments. 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 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.

ROBERT POTTER LEAGUE FOR ANIMALS, INC.
NOTES TO THE FINANCIAL STATEMENTS
Year Ended July 31, 2022



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, 2022, the value of contributed goods and services was approximately \$71,700, of which approximately \$44,900 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 its tax-exempt status at both a state and federal level.

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

Allocation of Expenses

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

Occupancy Expenses

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

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, 2022, advertising expense was approximately \$15,200.

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 of assets and liabilities 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.

ROBERT POTTER LEAGUE FOR ANIMALS, INC.
NOTES TO THE FINANCIAL STATEMENTS
Year Ended July 31, 2022



Recent Accounting Pronouncement

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

In February 2016, the FASB issued ASU 2016-02, *Leases*, which was later delayed to be 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 finance 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.

Reclassification

Certain amounts in the 2021 financial statements have been reclassified to conform to the 2022 financial statement presentation.

Subsequent Events

Management of the League has evaluated subsequent events through December 8, 2022, which is the date these financial statements were available to be issued.

3. 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, 2022:

Financial assets:

Cash and cash equivalents	\$ 971,105
Service receivables	170,391
Unconditional promises to give	45,615
Investments	6,236,244
Financial assets at July 31, 2022	<u>7,423,355</u>

Less those unavailable for general expenditure within one year, due to:

Total endowment funds	1,807,735
Time and purpose restrictions	303,708
Board designated funds for operating reserve	1,599,200
Board designated funds for building reserve	252,902
Board designated funds for long-term investment reserve	3,176,972
	<u>7,140,517</u>

Financial assets available to meet general expenditure needs
within one year

\$ 282,838

ROBERT POTTER LEAGUE FOR ANIMALS, INC.
NOTES TO THE FINANCIAL STATEMENTS
Year Ended July 31, 2022



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 \$3,176,972, of which up to 5% can be made available annually for operations and programs. During the year ended July 31, 2022, \$100,000 was transferred to operations from this reserve.

4. Promises to Give

Unconditional promises to give consist of promises to give from contributors to support the League's charitable mission. The promised contributions, due in the year ending July 31, 2023, total \$45,615.

The League has also been named as a beneficiary of bequests. Due to the uncertainty of the final settlements, no amounts have been recorded for conditional promises to give relating to the bequests. All amounts received have been included as part of non-operating revenue and support.

5. Property and Equipment

Property and equipment consisted of the following:

Building and building improvements	\$ 8,982,901
Office equipment and software	276,490
Vehicles	92,756
	<hr/> 9,352,147
Less accumulated depreciation	<hr/> 4,340,394
Property and equipment, net	<hr/> <hr/> \$ 5,011,753

ROBERT POTTER LEAGUE FOR ANIMALS, INC.
NOTES TO THE FINANCIAL STATEMENTS
Year Ended July 31, 2022



6. 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	\$ 12,333
Mutual Funds:	
Large value	5,510,731
Mid-cap blend	16,670
High yield bond	9,566
	<u>5,536,967</u>
Exchange Traded Funds:	
Mid-cap blend	429,619
Large value	211,404
Other exchange traded funds	41,412
	<u>682,435</u>
Common Stock:	
Financial	<u>4,509</u>
Total investments	<u><u>\$ 6,236,244</u></u>

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

Interest and dividends	\$ 95,958
Net realized and unrealized losses	(813,482)
Investment fees	<u>(1,344)</u>
Total investment return	<u><u>\$ (718,868)</u></u>

7. Mortgage Payable

The League executed a mortgage note, dated March 25, 2020, for a total of \$154,500 to purchase the office building for the Spay and Neuter Clinic. 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%. The note is set to mature March 2045. For the year ended July 31, 2022, \$6,118 of interest expense was incurred and paid.

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Maturities of the mortgage payable are as follows:

Year Ending

July 31, 2023	\$ 4,063
July 31, 2024	4,232
July 31, 2025	4,408
July 31, 2026	4,591
July 31, 2027	4,782
Thereafter	<u>123,776</u>
Total	<u>\$ 145,852</u>

8. Net Assets with Donor Restrictions

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

Subject to time restrictions, for general operations	\$ 44,700
Subject to expenditure for specified purpose:	
Animal care	86,376
CoyoteSmarts	2,663
TLC (Training, Leadership, Coaching) Fund	7,571
StarKids afterschool program	15,810
Wellness clinics	14,848
Community navigator	29,619
Summer camps	230
Evolution of Animal Welfare Taskforce Project	101,891
Appreciation on donor-restricted endowment funds (Note 9)	<u>347,415</u>
	606,423
Subject to restriction in perpetuity (Note 9)	<u>1,460,320</u>
Total net assets with donor restrictions	<u>\$ 2,111,443</u>

9. Endowment Funds

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

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

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

	Unappropriated Earnings	In Perpetuity	Total
Animal care, food and sheltering	\$ 42,421	\$ 178,312	\$ 222,733
General purposes	304,994	1,282,008	1,587,002
	<u>\$ 347,415</u>	<u>\$ 1,460,320</u>	<u>\$ 1,807,735</u>

Changes in endowment net assets for the year ended July 31, 2022 are as follows:

	Unappropriated gains and other	In Perpetuity	Total
Endowment net assets, beginning of year	\$ 615,894	\$ 1,460,320	\$ 2,076,214
Investment return:			
Interest and dividends, net	28,325	-	28,325
Net realized and unrealized loss	(296,804)	-	(296,804)
Total investment loss	(268,479)	-	(268,479)
Endowment net assets, end of year	<u>\$ 347,415</u>	<u>\$ 1,460,320</u>	<u>\$ 1,807,735</u>

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, 2022.

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Return Objective and Risk Parameters - The League has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment, while seeking to maintain the purchasing power of the endowment assets. Under this policy, as approved by the Board, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the S&P 500 index, while assuming a moderate level of investment risk. The League expects its endowment funds, over time, to provide an average rate of return of at least 5% annually. Actual results in any given year may vary from this amount.

Spending Policy - The League has a policy of appropriating for expenditure each year up to 5% of its endowment fund's average fair value over the prior 12 quarters through the calendar year end proceeding the fiscal year in which the expenditure is planned. However, this spending policy is adjusted annually based on current economic and operational needs with approval of the Board. In establishing this policy, the League considers the long-term expected return on its endowment. Accordingly, over the long term, the League expects the current spending policy to allow its endowment to grow at a rate that preserves the purchasing power of the original investment.

Strategies Employed for Achieving Objectives - To satisfy its long-term rate of return objectives, the League relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The League's goal is to have a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

10. Employee Benefit Plans

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 \$41,372 to the IRA for the year ended July 31, 2022.

11. Commitments

The League leases its office building for the Pets in Need Clinic under a non-cancelable operating lease, which commenced April 1, 2021. The agreement calls for monthly payments of approximately \$5,200, which will increase by approximately 1.5% annually. The agreement expires April 30, 2026, with two options to extend an additional five years. Total rent expense charged under this operating lease for the year ended July 31, 2022 was approximately \$62,700.

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

Year Ending

July 31, 2023	\$ 63,400
July 31, 2024	64,300
July 31, 2025	65,300
July 31, 2026	44,000
	<hr/>
Total	\$ 237,000
	<hr/>

12. Concentrations of 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 rate, 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 changes 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.