
THE ANIMAL LEAGUE OF GREEN VALLEY

**INDEPENDENT ACCOUNTANT'S REVIEW
REPORT AND FINANCIAL STATEMENTS**

YEARS ENDED DECEMBER 31, 2019 AND 2018

THE ANIMAL LEAGUE OF GREEN VALLEY

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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

Board of Directors
The Animal League of Green Valley
Green Valley, Arizona

We have reviewed the accompanying financial statements of The Animal League of Green Valley (a nonprofit organization), which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of organization management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

(continued)

Emphasis of Matter with Respect to Change in Accounting Principle

As discussed in Note 1 to the financial statements, in 2019, The Animal League of Green Valley adopted new accounting guidance relating to revenue recognition, the presentation of restricted cash, and the scope of contributions made and received. Our conclusion is not modified with respect to this matter. The adoption of this guidance has been applied to the 2018 financial statements retrospectively.

Regier Cant & Monroe, L.L.P.

June 30, 2020
Tucson, Arizona

THE ANIMAL LEAGUE OF GREEN VALLEY
STATEMENTS OF FINANCIAL POSITION

December 31, 2019 and 2018

ASSETS

	2019	2018
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,125,318	\$ 580,876
Restricted cash and cash equivalents	225,746	307,395
Accounts receivable	18,594	26,405
Investments	70,517	14,552
Prepaid expenses	6,615	7,779
Total current assets	1,446,790	937,007
PROPERTY AND EQUIPMENT, NET	2,580,893	2,653,631
Total assets	\$ 4,027,683	\$ 3,590,638

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 83,468	\$ 84,414
NET ASSETS		
Net assets without donor restrictions	3,718,485	3,213,532
Net assets without donor restrictions - board designated	152,599	152,509
Total net assets without donor restrictions	3,871,084	3,366,041
Net assets with donor restrictions	73,131	140,183
Total net assets	3,944,215	3,506,224
Total liabilities and net assets	\$ 4,027,683	\$ 3,590,638

See accompanying notes and Independent Accountant's Review Report.

THE ANIMAL LEAGUE OF GREEN VALLEY
STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES			
Contributions received	\$ 405,657	\$ 16,700	\$ 422,357
Fee income	54,866	-	54,866
Pima County	70,132	-	70,132
Thrift shop/The Attic	417,869	-	417,869
Memorials	18,019	-	18,019
Estates	660,538	-	660,538
Fundraising	80,488	-	80,488
Grants	28,033	9,000	37,033
Interest income	2,036	-	2,036
In-kind salaries	374,240	-	374,240
Other income	4,046	-	4,046
Gain on sale of investments	2,107	-	2,107
Investment income	991	-	991
Unrealized gain on investments	5,856	-	5,856
Net assets released from restrictions			
Satisfaction of purpose restrictions	92,752	(92,752)	-
Total revenues	2,217,630	(67,052)	2,150,578
EXPENSES			
Program services	1,491,535	-	1,491,535
General and administrative expenses	199,814	-	199,814
Fundraising expenses	21,238	-	21,238
Total expenses	1,712,587	-	1,712,587
Change in net assets	505,043	(67,052)	437,991
NET ASSETS, BEGINNING OF YEAR	3,366,041	140,183	3,506,224
NET ASSETS, END OF YEAR	\$ 3,871,084	\$ 73,131	\$ 3,944,215

See accompanying notes and Independent Accountant's Review Report.

THE ANIMAL LEAGUE OF GREEN VALLEY
STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES			
Contributions received	\$ 322,085	\$ 100,195	\$ 422,280
Fee income	51,992	-	51,992
Pima County	75,934	-	75,934
Thrift shop/The Attic	406,929	-	406,929
Memorials	18,412	-	18,412
Estates	320,783	-	320,783
Fundraising	38,179	-	38,179
Grants	2,000	21,000	23,000
Interest income	1,006	-	1,006
In-kind salaries	300,000	-	300,000
Other income	2,945	-	2,945
Net assets released from restrictions			
Satisfaction of purpose restrictions	179,182	(179,182)	-
	1,719,447	(57,987)	1,661,460
Total revenues			
EXPENSES			
Program services	1,768,842	-	1,768,842
General and administrative expenses	187,628	-	187,628
Fundraising expenses	12,128	-	12,128
	1,968,598	-	1,968,598
Total expenses			
Change in net assets	(249,151)	(57,987)	(307,138)
NET ASSETS, BEGINNING OF YEAR	3,615,192	198,170	3,813,362
NET ASSETS, END OF YEAR	\$ 3,366,041	\$ 140,183	\$ 3,506,224

See accompanying notes and Independent Accountant's Review Report.

THE ANIMAL LEAGUE OF GREEN VALLEY
STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2019

	Program Services	General and Administrative	Fundraising	Total
Advertising	\$ 23,297	\$ 7,766	\$ -	\$ 31,063
Animal food	37,125	-	-	37,125
Animal medical	785,865	-	-	785,865
Animal programs				
Spay and neuter outreach	120,779	-	-	120,779
Bank charges	-	6,981	-	6,981
Cleaning expenses	17,888	5,962	-	23,850
Depreciation expense	82,322	27,441	-	109,763
Fundraising expense	-	-	21,238	21,238
Dog training	3,668	-	-	3,668
In-kind salaries expense	280,680	93,560	-	374,240
Insurance	8,729	2,909	-	11,638
Materials and supplies	27,596	9,199	-	36,795
Miscellaneous	2,681	894	-	3,575
Postage	2,114	704	-	2,818
Printing and photo expense (newsletter)	15,029	5,010	-	20,039
Professional fees	-	13,387	-	13,387
Rent expense	14,399	4,800	-	19,199
Repairs and maintenance	19,117	6,372	-	25,489
Storage	706	235	-	941
Telephone	7,250	2,416	-	9,666
Thrift store expense	5,752	-	-	5,752
Volunteer appreciation	3,041	1,013	-	4,054
Utilities	33,497	11,165	-	44,662
	<u>\$ 1,491,535</u>	<u>\$ 199,814</u>	<u>\$ 21,238</u>	<u>\$ 1,712,587</u>
Total				

See accompanying notes and Independent Accountant's Review Report.

THE ANIMAL LEAGUE OF GREEN VALLEY
STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2018

	Program Services	General and Administrative	Fundraising	Total
Advertising	\$ 26,513	\$ 8,837	\$ -	\$ 35,350
Animal clinics	13,206	-	-	13,206
Animal food	39,930	-	-	39,930
Animal medical	911,102	-	-	911,102
Animal programs				
Spay and neuter outreach	192,871	-	-	192,871
Cleaning expenses	18,563	6,187	-	24,750
Depreciation expense	88,451	29,484	-	117,935
Fundraising expense	-	-	12,128	12,128
Dog training	4,669	-	-	4,669
In-kind salaries expense	225,000	75,000	-	300,000
Insurance	9,304	3,101	-	12,405
Materials and supplies	31,686	10,562	-	42,248
Miscellaneous	5,324	1,775	-	7,099
Off-site boarding and grooming	46,524	-	-	46,524
Postage	1,585	528	-	2,113
Printing and photo expense (newsletter)	8,924	2,975	-	11,899
Professional fees	-	10,736	-	10,736
Rent expense	13,925	4,641	-	18,566
Repairs and maintenance	47,474	15,825	-	63,299
Storage	2,640	880	-	3,520
Telephone	6,669	2,223	-	8,892
Thrift store expenses	29,859	-	-	29,859
Volunteer appreciation	9,351	3,117	-	12,468
Utilities	35,272	11,757	-	47,029
	<u>\$ 1,768,842</u>	<u>\$ 187,628</u>	<u>\$ 12,128</u>	<u>\$ 1,968,598</u>
Total				

See accompanying notes and Independent Accountant's Review Report.

THE ANIMAL LEAGUE OF GREEN VALLEY
STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 437,991	\$ (307,138)
Adjustments to reconcile net assets to net cash provided by operating activities		
Depreciation	109,763	117,935
Unrealized gains on investments	(12,708)	-
Donated stock	(43,024)	(14,552)
Increase (decrease) in cash resulting from changes in		
Accounts receivable	7,811	(5,773)
Prepaid expenses	1,164	(873)
Accounts payable	(946)	60,530
	<u>500,051</u>	<u>(149,871)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(37,025)	(59,719)
Sale of investments	7,338	-
Purchase of investments	(7,571)	-
	<u>(37,258)</u>	<u>(59,719)</u>
Net cash used by investing activities		
Net increase (decrease) in cash, cash equivalents, and restricted cash	462,793	(209,590)
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, BEGINNING OF YEAR	<u>888,271</u>	<u>1,097,861</u>
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, END OF YEAR	<u><u>\$1,351,064</u></u>	<u><u>\$ 888,271</u></u>
SUPPLEMENTAL INFORMATION		
In-kind services	<u>\$ 374,240</u>	<u>\$ 300,000</u>
Donated stock	<u>\$ (43,024)</u>	<u>\$ (14,552)</u>

See accompanying notes and Independent Accountant's Review Report.

THE ANIMAL LEAGUE OF GREEN VALLEY

NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

The Animal League of Green Valley (the “League”) was incorporated under the laws of the State of Arizona on April 25, 1984 to promote and provide for the humane treatment of companion dogs and cats in the greater Green Valley/Sahuarita area and to provide life care for dogs and cats that survive their owners. The League applied for and was granted tax exempt status on October 15, 1985.

Basis of Presentation

The financial statements are presented in accordance with Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 958-205, Not-for-Profit Entities, Presentation of Financial Statements. During 2018, the League adopted the provisions of Accounting Standards Update (“ASU”) 2016-14: Not-for-Profit Entities (Topic 958) Presentation of Financial Statements of Not-for-Profit Entities, which improves the current net asset classification and the related information presented in the financial statements and notes about the League’s liquidity, financial performance, and cash flows.

Net assets are now presented in two classifications, as follows:

- Net assets with donor restrictions – restrictions may be either time related or purpose related.
- Net assets without donor restrictions.

Changes in Accounting Principles

- The League has implemented amendments contained in Accounting Standards Update (“ASU”) 2014-09 – *Revenue from Contracts with Customers (Topic 606)*, and other ASUs issued since ASU 2014-09 which amend and clarify ASU 2014-09. This guidance is intended to improve the recognition of revenue and develop a standard that will apply to all revenue recognition of revenue from contracts with customers.

(continued)

See Independent Accountant’s Review Report

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- During the year ended December 31, 2019, the League adopted FASB ASU No. 2016-18, *Statement of Cash Flows (Topic 230) Restricted Cash*. This update requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows.
- During the year ended December 31, 2019, the League adopted Accounting Standards Update (ASU) No. 2018-08 *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 605)* as management believes the standard improves the usefulness and understandability of the League's financial reporting. The adoption of this new guidance did not impact the presentation of these financial statements.

Revenue Recognition

Revenue from Exchange Transactions: the League recognizes revenue in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers, as amended. ASU 2014-09 applies to exchange transactions with customers that are bound by contracts or similar arrangements and establishes a performance obligation approach to revenue recognition. The League records the following exchange transaction revenue in its statements of activities and changes in net assets for the years ending December 31, 2019 and 2018:

The League operates a thrift shop which sells items that are donated to the League by the public. The League does not record a value in the financial records for the donation of items for the thrift shop, and the League believes that the value of any inventory of items for sale at the thrift shop at December 31, 2019 and 2018 would not be material to these financial statements. Thrift shop revenue is recognized as items are sold to customers. The League does not extend credit, therefore, there is no contract receivables related to the thrift shop.

The League charges fees for the adoption of animals. These fees are required to be paid in full upon the acceptance of the adoption application and the customer accepting the animal being adopted. The League does not extend credit, therefore, there is no contract receivables related to the adoption activity.

Analysis of various provisions of this standard resulted in no significant changes in the way the League recognizes revenue and, therefore, no changes to the previously issued audited financial statements were required on a retrospective basis. The presentation and disclosures of revenue have been enhanced in accordance with the standard.

(continued)

See Independent Accountant's Review Report

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Donated Services

Amounts are reported in the financial statements for voluntary donations of services when those services create or enhance non-financial assets or require specialized skills provided by individuals possessing those skills and which would be typically purchased if not provided by donation. For the year ended December 31, 2019, in-kind revenue and expense totaled \$374,240 (\$300,000 for 2018). Volunteers also provided approximately 133,000 hours related to the shelter operations and administration of the shelter during 2019, the value of which is not included in these financial statements because it does not meet the standard for inclusion in the financial standards.

Property and Equipment

The League capitalizes all expenditures in excess of \$2,500 for property and equipment at cost. Contributed property and equipment are recorded at the estimated fair value at the date of donation. Certain donated services are capitalized as improvements when those services enhance the value of assets. Depreciation is provided using the straight-line method with a full-month convention over the estimated useful lives of the respective assets. Depreciation expense for the year ended December 31, 2019 was \$109,763 (\$117,935 for 2018). Upon sale or retirement of depreciable properties, the related cost and accumulated depreciation are removed from the accounts. All gains or losses are reflected in revenue in the year of disposition. Routine repairs and maintenance are expensed as incurred.

Income Taxes

The League is organized as an Arizona nonprofit corporation and has been recognized by the Internal Revenue Service (“IRS”), as exempt from federal income taxes under Section 501(a) of the Internal Revenue Code, as an organization described in Section 501(c)(3), which qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(vi) and (viii), and has been determined not to be a private foundation under Sections 509(a)(1) and (3), respectively. The League is annually required to file a Return of Organization Exempt from Income Tax (form 990) with the IRS. In addition, the League is subject to income tax on net income that is derived from business activities that are unrelated to their exempt purposes. The League has determined it is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (form 990-T) with the IRS.

The League believes that it has appropriate support for any tax positions taken affecting its annual filing requirements and, as such, does not have any uncertain tax positions that are material to the financial statements. The League would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred.

(continued)

See Independent Accountant’s Review Report

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash, Cash Equivalents and Restricted Cash

Cash and cash equivalents include all unrestricted and restricted cash balances and highly liquid investments with an original maturity of three months or less.

Restricted Cash

Restricted cash represents funds received by the League with restrictions as to their use by the donors. The restrictions are for life care of certain pets, and funds for the spaying and neutering program. Restricted cash also includes funds designated by the Board for reserves.

Advertising Costs

Costs incurred for producing and communicating non-direct advertising are expensed when incurred. Costs incurred for direct response advertising is capitalized and amortized over its estimated useful life. No advertising costs were capitalized at December 31, 2019 and 2018. Total advertising costs for the year ended December 31, 2019 were \$31,063 (\$35,350 for 2018).

Use of Estimates

The preparation of financial statements in conformity with United States generally accepted accounting principles 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 contributions, revenues and gains and expenses during the reporting period. Actual results could differ from those estimates.

Accounts Receivable

Accounts receivable is for amounts invoiced to Pima County for an agreement for a spaying and neutering program. The carrying amount of accounts receivable is reduced by a valuation allowance that reflects management's best estimate of amounts that will not be collected. The allowance for doubtful accounts is based on management's assessment of the collectability of the account and the aging of the account. At December 31, 2019 and 2018, management estimated all receivables to be collectible.

(continued)

See Independent Accountant's Review Report

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventory

The League carries inventory for the thrift store, and The Attic, at no value. All items in the thrift store are donated and are handled by volunteers, resulting in no cost basis. The League has no repair facility, so no costs are incurred to bring the items to saleable condition. A fair market value is not reported since donated items do not have a readily available market or comparable price structure. Furthermore, items not sold within a short time are discarded as having no value.

Functional Allocation of Expenses

The costs of providing the various programs and other activities are summarized on a functional basis. Accordingly, costs are allocated among the programs and supporting services benefited. Expenses that can be identified with a special program or support service are allocated directly according to their natural expense classification. Expenses that are common to several functions are allocated based on management's estimate of the efforts expended.

Board Designated Funds

The Board of Directors designated a reserve account during 2015 at a bank for the financial operation and security of the League. As of December 31, 2019, the balance in that account was \$152,599 (\$152,509 for 2018).

Reclassifications

Certain amounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements. The reclassifications had no effect on either change in the net assets for the year ended December 31, 2018 or on the net assets as of that date.

(continued)

See Independent Accountant's Review Report

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Recent Accounting Pronouncements

Leases

In February 2016, the Financial Accounting Standards Board issued ASU No. 2016-02, Leases (Topic 842), that will supersede the current lease requirements. The ASU requires lessees to recognize a right-of-use asset and related lease liability for all leases, with a limited exception for short-term leases. Leases will be classified as either financing or operating, with the classification affecting the pattern of expense recognition in the statement of operations. Currently, leases are classified as either capital or operating, with only capital lease obligations recognized on the statement of financial position. Lessor accounting under the new standard will remain similar to lessor accounting under current GAAP. The reporting of lease-related expenses in the statements of activities and cash flows will be generally consistent with the current guidance. The new lease guidance will be effective for the League's year ending December 31, 2022 and will be applied using a modified retrospective transition method to the beginning of the earliest period presented. The effect of applying the new lease guidance on the financial statements has not yet been determined.

2. LIQUIDITY AND AVAILABILITY OF FUNDS

The League's 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, are as follows.

	<u>2019</u>	<u>2018</u>
Financial assets at year-end:		
Cash and cash equivalents	\$ 1,125,318	\$ 580,876
Accounts receivable	<u>18,594</u>	<u>26,405</u>
Total financial assets	1,143,912	607,281
Less amounts not available to be used within one year:		
Net assets with donor restrictions	<u>73,131</u>	<u>140,183</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 1,070,781</u>	<u>\$ 467,098</u>

As part of the League's liquidity management plan, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Occasionally, the Board designates a portion of any operating surplus to its operating reserve, which was \$152,599 and \$152,509 at December 31, 2019 and 2018, respectively.

(continued)

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3. CASH, CASH EQUIVALENTS, AND RESTRICTED CASH

Balances on deposit are insured by the Federal Deposit Insurance Corporation (“FDIC”) up to specified limits. Balances in excess of such limits are uninsured. At December 31, 2019, the League had approximately \$479,000 of deposits in excess of federally insured limits (\$70,000 at December 31, 2018).

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the balance sheet that sum to the total of the same such amounts shown in the statement of cash flows at December 31.

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 1,125,318	\$ 580,876
Restricted cash and cash equivalents	<u>225,746</u>	<u>307,395</u>
Total cash, cash equivalents, and restricted cash	<u>\$ 1,351,064</u>	<u>\$ 888,271</u>

4. ACCOUNTS RECEIVABLE

Accounts receivable at December 31, 2019 and 2018 is comprised of billings on an agreement with Pima County. The allowance for bad debts is estimated from historical expense, coupled with a current status of existing receivables. At December 31, 2019 and 2018, no allowance was considered necessary. The total loss, if all parties fail to perform and collection efforts prove to be ineffective, is the stated balance of \$18,594 at December 31, 2019 (\$26,405 for 2018).

5. INVESTMENTS

Investments consist of equity securities and mutual funds. At December 31, 2019, management does not believe there has been any permanent impairment to the investments. The cost and fair value of the investments were as follows:

	<u>2019</u>	<u>2018</u>
Cost, reinvestment of dividends and realized gains	\$ 64,661	\$ 14,552
Gross unrealized gains	<u>5,856</u>	<u>-</u>
Fair value	<u>\$ 70,517</u>	<u>\$ 14,552</u>

(continued)

See Independent Accountant’s Review Report

6. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	<u>2019</u>	<u>2018</u>
Land	\$ 111,692	\$ 111,692
Buildings and improvements	3,346,495	3,346,495
Furniture	18,472	2,607
Equipment	80,512	59,353
Computer hardware	6,155	6,155
Vehicle	<u>78,041</u>	<u>78,041</u>
 Total	 3,641,367	 3,604,343
 Less accumulated depreciation	 <u>(1,060,474)</u>	 <u>(950,712)</u>
 Net property and equipment	 <u>\$ 2,580,893</u>	 <u>\$ 2,653,631</u>

7. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions activity was as follows for the year ended December 31, 2019:

	<u>Beginning Balance</u>	<u>Contributions</u>	<u>Releases</u>	<u>Ending Balance</u>
Animal care for life	\$ 73,627	\$ 25,700	\$ (82,258)	\$ 17,069
Dental fund for in-shelter cats	<u>66,556</u>	<u>-</u>	<u>(10,494)</u>	<u>56,062</u>
 Total	 <u>\$ 140,183</u>	 <u>\$ 25,700</u>	 <u>\$ (92,752)</u>	 <u>\$ 73,131</u>

(continued)

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7. NET ASSETS WITH DONOR RESTRICTIONS (continued)

Net assets with donor restrictions activity was as follows for the year ended December 31, 2018:

	<u>Beginning Balance</u>	<u>Contributions</u>	<u>Releases</u>	<u>Ending Balance</u>
Animal care for life	\$ 8,382	\$ 100,000	\$ (34,755)	\$ 73,627
Dental fund for in-shelter cats	95,788	-	(29,232)	66,556
Cat room addition	<u>94,000</u>	<u>21,195</u>	<u>(115,195)</u>	<u>-</u>
Total	<u>\$ 198,170</u>	<u>\$ 121,195</u>	<u>\$ (179,182)</u>	<u>\$ 140,183</u>

8. FAIR VALUE MEASUREMENTS

U.S. Generally Accepted Accounting Principles establish a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consists of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of observable inputs other than quoted prices for identical assets, and Level 3 inputs have the lowest priority. The League uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the League measures fair values using Level 1 inputs because they generally provide the most reliable evidence of fair value.

Level 1 Fair Value Measurements are based on quoted prices (unadjusted) in active markets for identical assets that the reporting entity has the ability to access at the measurement date. An active market for the assets is a market in which transactions for the asset occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 Fair Value Measurements are based on inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly. If the asset has a specified (contractual) term, a Level 2 input must be observable for substantially the full term of the asset.

Level 3 Fair Value Measurements are based on unobservable inputs for the asset. Unobservable inputs shall be used to measure fair value to the extent that relevant observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the assets at the measurement date. However, the fair value measurement objective remains the same, that is, an exit price from the perspective of a market participant that holds the asset. Therefore, unobservable inputs shall reflect the reporting entity's own assumptions about the assumptions that market participants would use in pricing the (including assumption about risk). Unobservable inputs shall be developed based on the best information available in the circumstances, which might include the reporting entity's own data.

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8. FAIR VALUE MEASUREMENTS (continued)

Fair value measurements were reported based on the following:

	<u>Fair Value</u>	<u>Fair Value Measurements at Reporting Date Using</u>		
		<u>Quoted Prices in Active Markets Identical Assets (Level 1)</u>	<u>Significant Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
December 31, 2019				
Mutual funds	\$ 43,789	\$ 43,789	\$ -	\$ -
Equities	<u>26,728</u>	<u>26,728</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 70,517</u>	<u>\$ 70,517</u>	<u>\$ -</u>	<u>\$ -</u>

	<u>Fair Value</u>	<u>Fair Value Measurements at Reporting Date Using</u>		
		<u>Quoted Prices in Active Markets Identical Assets (Level 1)</u>	<u>Significant Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
December 31, 2018				
Equities	<u>\$ 14,552</u>	<u>\$ 14,552</u>	<u>\$ -</u>	<u>\$ -</u>

9. LEASES

In 2015, the League leased property from Prince Road Associates L.L.C. In 2018, the League agreed to a two-year lease period for the property at the monthly rent of \$1,600. Total rent expense was \$19,199 for the year ended December 31, 2019 (\$18,566 for 2018).

The League also rents various office equipment with total minimum monthly lease payments of approximately \$600. The leases expire through March 2023. Total rent expense related to these leases was \$7,152 and \$6,123 for the years ended December 31, 2019 and 2018, respectively.

(continued)

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9. LEASES (continued)

Future minimum lease payments under these leases are as follows for the years ending December 31:

2020	\$ 10,880
2021	5,094
2022	4,944
2023	<u>2,884</u>
Total	<u>\$ 23,802</u>

10. CONCENTRATIONS OF CREDIT RISK

Revenue

The League is dependent on the sales from The Attic thrift shop. The Attic revenues made up 20% of the League's revenues for 2019 (25% for 2018). In past years, the League has received bequests and gifts from estates. Because of the nature of these bequests and gifts, it is not certain that amounts related to bequests and gifts from estates will be received each year.

11. SIGNIFICANT ESTIMATES

The functional allocation of expenditures is a significant estimate based on estimated levels of effort.

Management's estimate of the useful lives of the fixed assets acquired was based on management's experience with similar assets.

The League is 100% volunteer run. Donated in-kind salaries that require specialized skills provided by individuals possessing those skills and which would be typically purchased if not provided by donation and income have been reported at an estimated value. The amounts reported represent a significant estimate.

(continued)

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12. CONTINGENCY

The League may offer to pay for veterinary care for life for adopted animals that meet Board-approved age criteria. The purpose is to encourage people to adopt older animals by supporting the cost of the animal's veterinary care. The League expenses those costs out as incurred as part of animal medical expenses on the statement of functional expenses. These costs were \$97,943 and \$76,409 for the years ended December 31, 2019 and 2018, respectively.

13. SUBSEQUENT EVENTS

Management has evaluated subsequent events through June 30, 2020, the date the financial statements were available to be issued.

Subsequent to December 31, 2019, the World Health Organization declared the novel coronavirus (COVID-19) outbreak a public health emergency. There have been mandates from federal, state, and local authorities requiring forced closures of many businesses and organizations. These forced closures could negatively impact the League's revenue as their thrift store was closed for two months and reopened on June 1, 2020.