
THE ANIMAL LEAGUE OF GREEN VALLEY

**INDEPENDENT AUDITOR'S REPORT
AND FINANCIAL STATEMENTS**

YEARS ENDED DECEMBER 31, 2020 AND 2019

THE ANIMAL LEAGUE OF GREEN VALLEY

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of The Animal League of Green Valley (a nonprofit organization), which comprise the statement of financial position as of December 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.

Auditor's 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 auditor's 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 entity'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 entity'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.

(continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Animal League of Green Valley as of December 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.

Other Matter

The 2019 financial statements were reviewed by us and our report thereon, dated June 30, 2020, stated we were not aware of any material modifications that should be made to those statements for them to be in accordance with accounting principles generally accepted in the United States of America. However, a review is substantially less in scope than an audit and does not provide a basis for the expression of an opinion on the financial statements as a whole.

Regier Cant & Monroe, L.L.P.

July 6, 2021

Tucson, Arizona

THE ANIMAL LEAGUE OF GREEN VALLEY
STATEMENTS OF FINANCIAL POSITION

December 31, 2020 and 2019

	ASSETS		
		Audited	Reviewed
		2020	2019
		<u> </u>	<u> </u>
CURRENT ASSETS			
Cash and cash equivalents		\$ 1,005,546	\$ 1,125,318
Cash reserves		154,636	225,746
Accounts receivable		-	18,594
Investments		754,018	70,517
Prepaid expenses		<u>9,640</u>	<u>6,615</u>
Total current assets		1,923,840	1,446,790
PROPERTY AND EQUIPMENT, NET		<u>2,490,425</u>	<u>2,580,893</u>
Total assets		<u><u>\$ 4,414,265</u></u>	<u><u>\$ 4,027,683</u></u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts payable and accrued liabilities		<u>\$ 26,391</u>	<u>\$ 83,468</u>
NET ASSETS			
Net assets without donor restrictions		4,224,485	3,718,485
Net assets without donor restrictions - board designated		<u>154,636</u>	<u>152,599</u>
Total net assets without donor restrictions		4,379,121	3,871,084
Net assets with donor restrictions		<u>8,753</u>	<u>73,131</u>
Total net assets		<u>4,387,874</u>	<u>3,944,215</u>
Total liabilities and net assets		<u><u>\$ 4,414,265</u></u>	<u><u>\$ 4,027,683</u></u>

The Notes to Financial Statements are an integral part of these statements. See Independent Auditor's Report.

THE ANIMAL LEAGUE OF GREEN VALLEY
STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2020

Audited

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES			
Contributions received	\$ 525,063	\$ 50,000	\$ 575,063
Fee income	44,292	-	44,292
Thrift shop/The Attic	231,916	-	231,916
Estates	500,890	-	500,890
Fundraising	24,919	-	24,919
Grants	2,500	-	2,500
Interest income	2,977	-	2,977
In-kind salaries	451,815	-	451,815
Other income	8,620	-	8,620
Gain on sale of investments	12,088	-	12,088
Investment income	8,076	-	8,076
Unrealized gain on investments	19,033	-	19,033
Net assets released from restrictions			
Satisfaction of purpose restrictions	114,378	(114,378)	-
	1,946,567	(64,378)	1,882,189
Total revenues			
EXPENSES			
Program services	1,197,443	-	1,197,443
General and administrative expenses	229,587	-	229,587
Fundraising expenses	11,500	-	11,500
	1,438,530	-	1,438,530
Total expenses			
Change in net assets	508,037	(64,378)	443,659
NET ASSETS, BEGINNING OF YEAR	3,871,084	73,131	3,944,215
NET ASSETS, END OF YEAR	\$ 4,379,121	\$ 8,753	\$ 4,387,874

The Notes to Financial Statements are an integral part of these statements. See Independent Auditor's Report.

THE ANIMAL LEAGUE OF GREEN VALLEY
STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2019

Reviewed

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES			
Contributions received	\$ 423,675	\$ 16,700	\$ 440,375
Fee income	54,866	-	54,866
Pima County	70,132	-	70,132
Thrift shop/The Attic	417,869	-	417,869
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	4,047	-	4,047
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)	-
	<u>2,217,630</u>	<u>(67,052)</u>	<u>2,150,578</u>
Total revenues			
EXPENSES			
Program services	1,495,739	-	1,495,739
General and administrative expenses	195,610	-	195,610
Fundraising expenses	21,238	-	21,238
	<u>1,712,587</u>	<u>-</u>	<u>1,712,587</u>
Total expenses			
Change in net assets	505,043	(67,052)	437,991
NET ASSETS, BEGINNING OF YEAR	<u>3,366,041</u>	<u>140,183</u>	<u>3,506,224</u>
NET ASSETS, END OF YEAR	<u><u>\$ 3,871,084</u></u>	<u><u>\$ 73,131</u></u>	<u><u>\$ 3,944,215</u></u>

The Notes to Financial Statements are an integral part of these statements. See Independent Auditor's Report.

THE ANIMAL LEAGUE OF GREEN VALLEY
STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2020

Audited

	Program Services	General and Administrative	Fundraising	Total
Advertising	\$ 18,848	\$ 6,282	\$ -	\$ 25,130
Animal food	26,920	-	-	26,920
Animal medical	570,481	-	-	570,481
Bank charges	-	4,159	-	4,159
Cleaning expenses	17,550	5,850	-	23,400
Depreciation expense	84,922	28,307	-	113,229
Dog training	1,367	-	-	1,367
Estate expenses	-	16,285	-	16,285
Fundraising expense	-	-	11,500	11,500
In-kind salaries expense	338,861	112,954	-	451,815
Insurance	9,571	3,190	-	12,761
Materials and supplies	20,661	6,887	-	27,548
Miscellaneous	1,334	445	-	1,779
Pet grooming	58	-	-	58
Postage	2,024	675	-	2,699
Printing and photo expense (newsletter)	21,793	7,264	-	29,057
Professional fees	-	11,306	-	11,306
Rent expense	13,979	4,659	-	18,638
Repairs and maintenance	24,529	8,176	-	32,705
Storage	649	216	-	865
Telephone	7,215	2,405	-	9,620
Thrift store expense	5,096	-	-	5,096
Volunteer appreciation	2,483	827	-	3,310
Utilities	29,102	9,700	-	38,802
Total	\$ 1,197,443	\$ 229,587	\$ 11,500	\$ 1,438,530

The Notes to Financial Statements are an integral part of these statements. See Independent Auditor's Report.

THE ANIMAL LEAGUE OF GREEN VALLEY
STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2019

Reviewed

	Program Services	General and Administrative	Fundraising	Total
Advertising	\$ 23,297	\$ 7,766	\$ -	\$ 31,063
Animal food	37,125	-	-	37,125
Animal medical	923,458	-	-	923,458
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	14,986	4,995	-	19,981
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 expenses	5,752	-	-	5,752
Volunteer appreciation	3,041	1,013	-	4,054
Utilities	33,497	11,165	-	44,662
	<u>\$ 1,495,739</u>	<u>\$ 195,610</u>	<u>\$ 21,238</u>	<u>\$ 1,712,587</u>

The Notes to Financial Statements are an integral part of these statements. See Independent Auditor's Report.

THE ANIMAL LEAGUE OF GREEN VALLEY
STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2020 and 2019

	<u>Audited</u> 2020	<u>Reviewed</u> 2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 443,659	\$ 437,991
Adjustments to reconcile net assets to net cash provided by operating activities		
Depreciation	113,229	109,763
Unrealized gains on investments	(19,033)	(5,856)
Realized gains on investments	(12,088)	(2,107)
Increase (decrease) in cash resulting from changes in		
Accounts receivable	18,594	7,811
Prepaid expenses	(3,025)	1,164
Accounts payable	<u>(57,077)</u>	<u>(946)</u>
Net cash provided by operating activities	<u>484,259</u>	<u>547,820</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(22,761)	(37,025)
Sale of investments	630,348	7,338
Sale of donated stock	42,781	-
Purchase of investments	<u>(1,325,509)</u>	<u>(55,340)</u>
Net cash used by investing activities	<u>(675,141)</u>	<u>(85,027)</u>
Net increase (decrease) in cash, cash equivalents, and board-designated cash	(190,882)	462,793
CASH, CASH EQUIVALENTS, AND CASH RESERVES, BEGINNING OF YEAR	<u>1,351,064</u>	<u>888,271</u>
CASH, CASH EQUIVALENTS, AND CASH RESERVES, END OF YEAR	<u>\$ 1,160,182</u>	<u>\$ 1,351,064</u>
SUPPLEMENTAL INFORMATION		
In-kind services	<u>\$ 451,815</u>	<u>\$ 374,240</u>
Donated stock	<u>\$ (13,970)</u>	<u>\$ (43,024)</u>

The Notes to Financial Statements are an integral part of these statements. See Independent Auditor's Report.

THE ANIMAL LEAGUE OF GREEN VALLEY

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

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.

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, 2020 and 2019:

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, 2020 and 2019 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.

(continued)

See Independent Auditor’s Report

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

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 reviewed financial statements were required on a retrospective basis. The presentation and disclosures of revenue have been enhanced in accordance with the standard.

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, 2020, in-kind revenue and expense totaled \$451,815 (\$374,240 for 2019). Volunteers also provided approximately 100,510 hours related to the shelter operations and administration of the shelter during 2020, 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, 2020 was \$113,229 (\$109,763 for 2019). 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.

(continued)

See Independent Auditor’s Report

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

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.

Cash, Cash Equivalents and Cash Reserves

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

Cash Reserves

Board-designated operating reserves are a portion of the accumulation of unrestricted surpluses that are available for use at the discretion of the League's board. The operating reserve increases the League's ability to absorb or respond to temporary changes in its environment or circumstances.

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, 2020 and 2019. Total advertising costs for the year ended December 31, 2020 were \$25,130 (\$31,063 for 2019).

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, 2020 and 2019, management estimated all receivables to be collectible. As of 2020, Pima County no longer reimburses for spay and neutering as the League's zip code is no longer covered under this program.

(continued)

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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, 2020, the balance in that account was no longer designated a reserve account by the Board. As of December 31, 2019 the balance was \$152,599.

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, 2019 or on the net assets as of that date.

(continued)

See Independent Auditor's 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>2020</u>	<u>2019</u>
Financial assets at year-end:		
Cash and cash equivalents	\$ 1,160,182	\$ 1,125,318
Accounts receivable	<u> -</u>	<u> 18,594</u>
Total financial assets	1,160,182	1,143,912
Less amounts not available to be used within one year:		
Net assets with donor restrictions	<u> -</u>	<u> 73,131</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 1,160,182</u>	<u>\$ 1,070,781</u>

(continued)

See Independent Auditor's Report

2. LIQUIDITY AND AVAILABILITY OF FUNDS (continued)

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 \$0 and \$152,599 at December 31, 2020 and 2019, respectively.

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, 2020, the League had approximately \$515,000 of deposits in excess of federally insured limits (\$479,000 at December 31, 2019).

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

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 1,160,182	\$ 1,125,318
Restricted cash and cash equivalents	<u>-</u>	<u>225,746</u>
Total cash, cash equivalents, and restricted cash	<u>\$ 1,160,182</u>	<u>\$ 1,351,064</u>

4. ACCOUNTS RECEIVABLE

At December 31, 2020 and 2019, 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 \$0 at December 31, 2020 (\$18,594 for 2019).

5. INVESTMENTS

Investments consist of equity securities and mutual funds. At December 31, 2020, management does not believe there has been any permanent impairment to the investments. The cost and fair value of the investments were as follows:

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See Independent Auditor's Report

5. INVESTMENTS (continued)

	<u>2020</u>	<u>2019</u>
Cost, reinvestment of dividends and realized gains	\$ 734,985	\$ 64,661
Gross unrealized gains	<u>19,033</u>	<u>5,856</u>
Fair value	<u>\$ 754,018</u>	<u>\$ 70,517</u>

6. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	<u>2020</u>	<u>2019</u>
Land	\$ 111,692	\$ 111,692
Buildings and improvements	3,346,495	3,346,495
Furniture	21,926	18,472
Equipment	86,925	80,512
Computer hardware	6,155	6,155
Vehicle	<u>90,932</u>	<u>78,041</u>
Total	3,664,125	3,641,367
Less accumulated depreciation	<u>(1,173,700)</u>	<u>(1,060,474)</u>
Net property and equipment	<u>\$ 2,490,425</u>	<u>\$ 2,580,893</u>

7. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions activity was as follows for the year ended December 31, 2020:

	<u>Beginning Balance</u>	<u>Contributions</u>	<u>Releases</u>	<u>Ending Balance</u>
Animal care for life	\$ 17,069	\$ -	\$ (17,069)	\$ -
Dental fund for in-shelter animals	56,062	-	(47,309)	8,753
Surgical suite	<u>-</u>	<u>50,000</u>	<u>(50,000)</u>	<u>-</u>
Total	<u>\$ 73,131</u>	<u>\$ 50,000</u>	<u>\$ (114,378)</u>	<u>\$ 8,753</u>

(continued)

See Independent Auditor's Report

7. NET ASSETS WITH DONOR RESTRICTIONS (continued)

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 animals	<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>

During 2020, the donor of the dental fund authorized these restricted funds to be used for both cats and dogs as well as funding the animal care for life fund.

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.

(continued)

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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, 2020				
Mutual funds	\$ <u>754,018</u>	\$ <u>754,018</u>	\$ -	\$ -
Total	\$ <u>754,018</u>	\$ <u>754,018</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, 2019				
Mutual funds	\$ <u>43,789</u>	\$ <u>43,789</u>	\$ -	\$ -
Equities	<u>26,728</u>	<u>26,728</u>	-	-
Total	\$ <u>70,517</u>	\$ <u>70,517</u>	\$ -	\$ -

9. LEASES

The League leases storage space at the monthly rent of \$1,600. The lease will expire in March 2020. Total rent expense was \$18,638 for the year ended December 31, 2020 (\$19,199 for 2019).

The League also rents various office equipment with total minimum monthly lease payments of approximately \$1,065. The leases expire through July 2023. Total rent expense related to these leases was \$12,809 and \$7,152 for the years ended December 31, 2020 and 2019, respectively.

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9. LEASES (continued)

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

2021	\$ 4,944
2022	4,944
2023	<u>2,884</u>
Total	<u>\$ 12,772</u>

10. CONCENTRATIONS OF CREDIT RISK

Revenue

The League is dependent on the sales from The Attic thrift shop. The Attic revenues made up 13% of the League's revenues for 2020 (20% for 2019). 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.

In-kind donations

The League is a 100% volunteer run organization. In the event the League is unable to retain and recruit volunteers in the future, they would be required to hire and pay their workforce, which could significantly increase the League's salary and wage expense.

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. During the years ended December 31, 2020 and 2019, donated services of \$451,815 and \$374,240, respectively, were recognized.

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12. COMMITMENTS AND CONTINGENCIES

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 \$124,706 and \$97,943, for the years ended December 31, 2020 and 2019, respectively.

During the year ended December 31, 2020, 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 and costs. While the closures and limitations are expected to be temporary, the duration of the disruption and related financial impact, cannot be estimated at this time. Should the closures continue for an extended period of time or should the effects of the coronavirus continue to spread, the impact could have a material effect on the League's financial position, activities and cash flow.

13. SUBSEQUENT EVENTS

Management has evaluated subsequent events through July 6, 2021, the date the financial statements were available to be issued.

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