

ANIMAL REFUGE LEAGUE OF GREATER PORTLAND

**Financial Statements
for the years ended December 31, 2019 and 2018**

(See Independent Auditor's Report)

McLeod | Ascanio

Certified Public Accountants

Scott A. McLeod
Managing Principal

James Ascanio
Managing Principal

Sally Swanson
Principal

Matthew R. Barbour
Principal

Independent Auditor's Report

To the Board of Directors of
Animal Refuge League of Greater Portland

We have audited the accompanying financial statements of Animal Refuge League of Greater Portland (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.

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

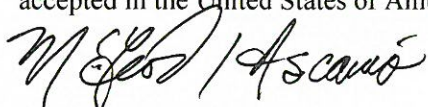
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Animal Refuge League of Greater Portland as of December 31, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



Cumberland Foreside, Maine
October 19, 2020

ANIMAL REFUGE LEAGUE OF GREATER PORTLAND

STATEMENTS OF FINANCIAL POSITION

as of December 31, 2019 and 2018

(See Independent Auditor's Report)

	<u>2019</u>	<u>2018</u>
<u>ASSETS</u>		
Current assets:		
Cash and equivalents	\$ 168,099	\$ 294,471
Accounts receivable	-	20,434
Pledges receivable, current portion	29,850	70,928
Note receivable, current portion	300,000	-
Investments	6,842,689	6,190,033
Inventory	9,074	5,323
Prepaid expenses	34,781	33,411
Other current assets	1,428	37,127
Total current assets	<u>7,385,921</u>	<u>6,651,727</u>
Property, plant and equipment:		
Land and improvements	467,894	467,894
Buildings and improvements	9,802,990	9,802,990
Machinery and equipment	1,046,095	1,019,125
Vehicles	65,028	57,349
Construction in progress	28,228	28,228
	<u>11,410,235</u>	<u>11,375,586</u>
Less accumulated depreciation	<u>2,334,721</u>	<u>1,964,459</u>
Total property, plant and equipment	<u>9,075,514</u>	<u>9,411,127</u>
Other assets:		
Pledges receivable, less current portion	-	32,616
Note receivable, less current portion	-	300,000
Restricted endowment - cash	29,047	28,881
Investments held by outside trusts	78,408	67,747
Total other assets	<u>107,455</u>	<u>429,244</u>
Total Assets	<u><u>\$ 16,568,890</u></u>	<u><u>\$ 16,492,098</u></u>
<u>LIABILITIES AND NET ASSETS</u>		
Current liabilities:		
Notes payable, current portion	\$ 464,229	\$ 464,229
Accounts payable	44,790	91,001
Accrued expenses	104,067	102,646
Deferred revenue	61,989	70,892
Total current liabilities	<u>675,075</u>	<u>728,768</u>
Other liabilities:		
Notes payable, less current portion	3,249,600	3,713,828
Private unfunded pension	56,000	60,000
Total other liabilities	<u>3,305,600</u>	<u>3,773,828</u>
Net assets:		
Without donor restrictions	12,458,427	11,745,144
With donor restrictions	129,788	244,358
Total net assets	<u>12,588,215</u>	<u>11,989,502</u>
Total Liabilities and Net Assets	<u><u>\$ 16,568,890</u></u>	<u><u>\$ 16,492,098</u></u>

The accompanying notes are an integral part of these financial statements.

ANIMAL REFUGE LEAGUE OF GREATER PORTLAND

STATEMENT OF ACTIVITIES

for the year ended December 31, 2019

(See Independent Auditor's Report)

	Without Donor Restrictions	With Donor Restrictions	Total
Operating revenues, gains and other support:			
Contributions	622,913	87,479	\$ 710,392
Bequests	161,714	-	161,714
Annual fund	336,759	-	336,759
Municipal contracts	286,811	-	286,811
Placed animal adoption fees	762,556	-	762,556
Shelter services	292,361	-	292,361
Special events	404,030	-	404,030
In-kind donations	211,337	-	211,337
Merchandise sales	40,087	-	40,087
Other income	3,500	-	3,500
Net assets released from restrictions:			
Satisfaction of time and purpose restrictions	212,710	(212,710)	-
Total operating revenues, gains and other support	3,334,778	(125,231)	3,209,547
Operating expenses:			
Program services	3,012,044	-	3,012,044
Management and general	436,504	-	436,504
Fundraising	540,700	-	540,700
Total operating expenses	3,989,248	-	3,989,248
Operating revenues, gains and other support in excess (deficit) of operating expenses	(654,470)	(125,231)	(779,701)
Other changes:			
Dividends and interest, net of fees totaling \$27,118	107,105	-	107,105
Trust income	2,869	-	2,869
Realized and unrealized gains (losses) on investments, net	1,250,806	-	1,250,806
Change in value of investments held by outside trusts	-	10,661	10,661
Gains (losses) on disposal of property, plant and equipment, net	6,973	-	6,973
Change in net assets	713,283	(114,570)	598,713
Net assets at beginning of year	11,745,144	244,358	11,989,502
Net assets at end of year	\$12,458,427	\$ 129,788	\$12,588,215

The accompanying notes are an integral part of these financial statements.

ANIMAL REFUGE LEAGUE OF GREATER PORTLAND

STATEMENT OF ACTIVITIES

for the year ended December 31, 2018

(See Independent Auditor's Report)

	Without Donor Restrictions	With Donor Restrictions	Total
Operating revenues, gains and other support:			
Contributions	644,333	256,367	\$ 900,700
Bequests	186,363	-	186,363
Annual fund	326,984	-	326,984
Municipal contracts	283,569	-	283,569
Placed animal adoption fees	651,874	-	651,874
Shelter services	188,138	-	188,138
Special events	293,163	-	293,163
In-kind donations	172,700	-	172,700
Merchandise sales	18,421	-	18,421
Other income	2,863	-	2,863
Net assets released from restrictions:			
Satisfaction of time and purpose restrictions	232,214	(232,214)	-
Total operating revenues, gains and other support	3,000,622	24,153	3,024,775
Operating expenses:			
Program services	2,824,252	-	2,824,252
Management and general	450,622	-	450,622
Fundraising	528,767	-	528,767
Total operating expenses	3,803,641	-	3,803,641
Operating revenues, gains and other support in excess (deficit) of operating expenses	(803,019)	24,153	(778,866)
Other changes:			
Dividends and interest, net of fees totaling \$28,382	119,700	-	119,700
Trust income	1,747	-	1,747
Realized and unrealized gains (losses) on investments, net	(245,734)	-	(245,734)
Change in value of investments held by outside trusts	-	(8,197)	(8,197)
Change in net assets	(927,306)	15,956	(911,350)
Net assets at beginning of year	12,672,450	228,402	12,900,852
Net assets at end of year	<u>\$ 11,745,144</u>	<u>\$ 244,358</u>	<u>\$ 11,989,502</u>

The accompanying notes are an integral part of these financial statements.

ANIMAL REFUGE LEAGUE OF GREATER PORTLAND

STATEMENT OF FUNCTIONAL EXPENSES

for the year ended December 31, 2019

(See Independent Auditor's Report)

	Program Services	Management and General	Fundraising	Total
Salaries and wages	\$ 1,322,857	\$ 208,413	\$ 177,470	\$ 1,708,740
Depreciation	274,118	58,572	58,572	391,262
Veterinarian fees and supplies	231,989	142	54	232,185
In-kind donations	205,787	-	5,550	211,337
Employee benefits	133,564	27,366	22,357	183,287
Interest expense	115,821	24,819	24,819	165,459
Repairs and maintenance	115,339	19,050	18,776	153,165
Utilities	95,687	17,657	17,954	131,298
Payroll taxes	98,402	16,543	13,224	128,169
Shelter operations	110,456	3,276	2,997	116,729
Fundraising expense	5,271	-	91,756	97,027
Animal transport expenses	90,731	-	-	90,731
Insurance	46,625	9,268	9,952	65,845
Computer services	45,761	7,747	6,678	60,186
Bank and payroll fees	31,617	3,319	21,512	56,448
Special events expense	-	-	50,552	50,552
Miscellaneous	28,349	6,507	609	35,465
Telephone	14,507	3,109	3,108	20,724
Merchandise for resale	14,401	-	-	14,401
Professional fees	548	13,513	-	14,061
Advertising	2,821	2,885	4,726	10,432
Printing and postage	800	3,017	6,552	10,369
Educational expenses	8,579	-	-	8,579
Pension expense	-	8,120	-	8,120
Travel and vehicle expenses	5,387	839	105	6,331
Office supplies and expenses	4,339	833	1,049	6,221
Impound fees	6,085	-	-	6,085
Dues and licenses	1,893	1,509	12	3,414
Bad debt expense	-	-	1,826	1,826
Capital campaign	310	-	490	800
Total expenses	<u>\$ 3,012,044</u>	<u>\$ 436,504</u>	<u>\$ 540,700</u>	<u>\$ 3,989,248</u>

The accompanying notes are an integral part of these financial statements.

ANIMAL REFUGE LEAGUE OF GREATER PORTLAND

STATEMENT OF FUNCTIONAL EXPENSES

for the year ended December 31, 2018

(See Independent Auditor's Report)

	Program Services	Management and General	Fundraising	Total
Salaries and wages	\$ 1,211,606	\$ 212,972	\$ 196,680	\$ 1,621,258
Depreciation	267,178	57,252	57,252	381,682
Veterinarian fees and supplies	205,731	92	-	205,823
Interest expense	127,451	27,684	27,684	182,819
In-kind donations	169,400	-	3,300	172,700
Employee benefits	115,360	29,336	20,974	165,670
Repairs and maintenance	120,832	21,363	13,174	155,369
Utilities	96,024	22,074	18,051	136,149
Payroll taxes	96,018	15,861	14,636	126,515
Shelter operations	119,329	3,270	1,433	124,032
Fundraising expense	15,688	-	82,258	97,946
Animal transport expenses	78,536	-	-	78,536
Insurance	54,040	9,410	11,836	75,286
Computer services	45,202	6,747	5,202	57,151
Bank and payroll fees	26,158	2,442	17,786	46,386
Special events expense	-	-	42,759	42,759
Miscellaneous	13,919	4,926	2,144	20,989
Travel and vehicle expenses	17,917	106	-	18,023
Telephone	12,014	2,596	2,596	17,206
Professional fees	361	14,511	-	14,872
Advertising	1,353	4,857	6,386	12,596
Educational expenses	9,873	-	-	9,873
Merchandise for resale	9,514	-	-	9,514
Printing and postage	425	5,228	2,765	8,418
Office supplies and expenses	3,943	2,248	74	6,265
Pension expense	-	6,120	-	6,120
Impound fees	5,365	-	-	5,365
Dues and licenses	1,015	1,527	75	2,617
Capital campaign	-	-	1,702	1,702
Total expenses	<u>\$ 2,824,252</u>	<u>\$ 450,622</u>	<u>\$ 528,767</u>	<u>\$ 3,803,641</u>

The accompanying notes are an integral part of these financial statements.

ANIMAL REFUGE LEAGUE OF GREATER PORTLAND

STATEMENTS OF CASH FLOWS

as of December 31, 2019 and 2018

(See Independent Auditor's Report)

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Change in net assets	\$ 598,713	\$ (911,350)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	391,262	381,682
(Gains) losses on disposal of property, plant and equipment, net	(6,973)	-
Realized and unrealized (gains) losses on investments, net	(1,250,806)	245,734
Change in value of investments held by outside trusts	(10,661)	8,197
Donated investments	(20,345)	(25,788)
(Increase) decrease in operating assets:		
Accounts receivable	20,434	16,161
Pledges receivable	73,694	144,103
Inventory	(3,751)	(1,527)
Prepaid expenses	(1,370)	568
Other current assets	35,699	(37,127)
Increase (decrease) in operating liabilities:		
Accounts payable	(46,211)	20,437
Accrued expenses	1,421	6,027
Deferred revenue	(8,903)	-
Private unfunded pension	(4,000)	(6,000)
Net cash provided (used) by operating activities	(231,797)	(158,883)
Cash flows from investing activities:		
Proceeds from sale of property, plant and equipment	6,973	-
Purchases of property, plant and equipment	(55,649)	(118,677)
Proceeds from sale of investments	2,072,426	2,189,635
Purchases of investments	(1,453,931)	(1,392,385)
Net cash provided (used) by investing activities	569,819	678,573
Cash flows from financing activities:		
Repayments of notes payable	(464,228)	(464,229)
Net cash provided (used) by financing activities	(464,228)	(464,229)
Net change in cash and equivalents, and restricted endowment - cash during the year	(126,206)	55,461
Cash and equivalents, and restricted endowment - cash at beginning of year	323,352	267,891
Cash and equivalents, and restricted endowment - cash at end of year	<u>\$ 197,146</u>	<u>\$ 323,352</u>
<i>Supplemental cash flow disclosures:</i>		
Cash paid for interest	<u>\$ 165,572</u>	<u>\$ 184,558</u>

The accompanying notes are an integral part of these financial statements.

ANIMAL REFUGE LEAGUE OF GREATER PORTLAND

NOTES TO THE FINANCIAL STATEMENTS

for the years ended December 31, 2019 and 2018

(See Independent Auditor's Report)

1. NATURE OF THE ORGANIZATION:

The Animal Refuge League of Greater Portland (the "Organization") nurtures the connection between people and pets to advance animal welfare and improve the quality of life in its community. The Organization provides temporary care and shelter for stray, abandoned, confiscated and relinquished animals, and places as many as possible into responsible and caring homes. The Organization also works to create awareness and support for the humane treatment of all animals, to end animal overpopulation through education and the promotion of spaying and neutering, and to make end-of-life decisions based on safety and animal welfare considerations. The Organization's principal sources of revenue are donations, fees, investment income and fundraising activities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP"). Net assets, support, revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization, and changes therein, are classified and reported as follows:

Net Assets with Donor Restrictions

Net assets subject to donor-imposed restrictions that may/will be met, either by actions of the Organization and/or the passage of time, or that net assets be maintained permanently by the Organization. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Net Assets without Donor Restrictions

Net assets that are not subject to donor-imposed restrictions.

Cash and Equivalents

Cash and equivalents include cash in banks and all highly liquid investments with original maturities of three months or less at the time of purchase. The Organization maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts. The Organization believes it is not exposed to any significant risk on cash and equivalents.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect on balances outstanding at year-end. Management closely monitors outstanding balances and writes off, or reserves against, any specific accounts deemed to have collection risks. No allowance for bad debt was considered necessary at December 31, 2019 and 2018.

Pledges Receivable

In accordance with ASU 2016-14, the Organization is required to discount pledges that are not fully collectible within one year to their present value; these discounts are ratably amortized over the life of the pledges. The Organization uses the allowance method to account for uncollectible pledges. The allowance is based on management's estimate of possible bad debts.

Conditional pledges are not recorded until the conditions on which they depend are substantially met.

Bequests Receivable

Bequests in valid wills and trusts are considered conditional promises to give and, as such, are not recorded as income for financial statement purposes until received.

Inventory

Inventory consists of items held for resale and is valued at the lower of cost or market. Cost is determined by specific identification of each unit.

ANIMAL REFUGE LEAGUE OF GREATER PORTLAND

NOTES TO THE FINANCIAL STATEMENTS

for the years ended December 31, 2019 and 2018

(See Independent Auditor's Report)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Property, Plant and Equipment

Property, plant and equipment are carried at cost. Contributed assets are carried at their fair market value at the time of the gift. Depreciation is computed using the straight-line method of depreciation over the assets' estimated useful lives as follows:

	Years
Land improvements	15-25
Building and improvements	5-39
Machinery and equipment	3-25
Vehicles	5

Expenditures over \$5,000 for major renewals and betterments, which extend the useful lives of property, plant and equipment, are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred. For assets sold, or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is included in the statement of activities.

Depreciation expense for the years ended December 31, 2019 and 2018 was \$391,262 and \$381,682, respectively.

Deferred Revenue

Deferred revenue consists of advanced payments received from municipal contracts.

Measure of Operations

In its statements of activities, the Organization includes in its definition of operations all revenues and expenses that are an integral part of its programs and supporting activities. Non-operating support and revenues include such items as: dividends and interest, net of brokerage fees; trust income; realized and unrealized gains and losses on investments; change in value of investments held by outside trusts; and gains and losses on disposal of property, plant and equipment.

Revenue Recognition

Contributions received are recorded as unrestricted or restricted support, depending on the existence of any donor restrictions, when a binding commitment has been made by the donors. Adoption fees are recognized when the animal has been placed with an individual for adoption. Municipal contract income is recognized based on the terms of the contract. Funds received in advance of work performed are recorded as deferred revenue until earned.

Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods, restricted by the donor in perpetuity, or restricted for specific purposes are reported as an increase in net assets with donor restrictions. When a donor restriction expires (i.e. when a stipulated time restriction ends or purpose restriction is accomplished) net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Donated Services and Items

The Organization recognizes donated marketable securities and other noncash items at their estimated fair values at the date of donation. Donated services are reflected in the financial statements at the fair value of the services received only if the services (a) create or enhance nonfinancial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. The fair value of donated services and items recognized by the Organization for the years ended December 31, 2019 and 2018 was \$211,337 and \$172,700, respectively.

ANIMAL REFUGE LEAGUE OF GREATER PORTLAND

NOTES TO THE FINANCIAL STATEMENTS

for the years ended December 31, 2019 and 2018

(See Independent Auditor's Report)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Donated Services and Items (continued)

Many individuals volunteer their time and help the Organization with a wide variety of services and programs, both inside and outside the shelter. The Organization receives more than 35,000 volunteer hours per year. The fair value of these services has not been reflected in the financial statements.

Functional Allocation of Expenses

Expenses are presented by both their nature and function in the statements of functional expenses. Certain categories of expenses are attributable to more than one program or supporting function and, thus, require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy, depreciation, capital improvements, repairs and maintenance, utilities, and property/liability insurance which are allocated on a square-footage basis; and salaries and wages, employee benefits, payroll taxes, and pension expense, which are allocated on the basis of estimates of time and effort. All other expenses are allocated based on the actual expenditures incurred by related programs and departments and are tracked in the Organization's accounting software by function.

Advertising

Advertising costs are expensed as they are incurred. Advertising costs for the years ended December 31, 2019 and 2018 were \$10,432 and \$12,596, respectively.

Income Tax Status

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Therefore, no provision for federal income tax is required. Management has evaluated the Organization's tax positions and concluded that as of December 31, 2019, it does not believe that any tax positions that would require adjustments to the financial statements have been taken. As of December 31, 2019, the Organization was open to audit under the statute of limitations by the Internal Revenue Service and state taxing authorities for the years ended December 31, 2016 through 2019.

Accounting Estimates and Assumptions

The preparation of financial statements in conformity with 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 revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

3. PLEDGES RECEIVABLE:

As of December 31, 2019 and 2018, pledges receivable are due to be collected as follows:

	2019	2018
Amounts due in:		
Less than one year	\$ 29,850	\$ 70,928
One to five years	-	32,616
Total	<u>\$ 29,850</u>	<u>\$ 103,544</u>

Management believes that all pledges are fully collectible; therefore, no allowance for uncollectible accounts has been recorded.

4. NOTE RECEIVABLE:

During the year ended December 31, 2012, the Organization sold 51.62 acres of land to Stroudwater Landing LLC in exchange for \$240,000 cash and a note receivable for \$760,000 secured by a mortgage deed on the land. The note had a fixed rate of interest of 2.21% per annum, with monthly interest only payments of \$1,400 until a required principal payment of \$460,000 was made during the year ended December 31, 2015. Monthly interest on the remaining \$300,000 principal is paid monthly and a final principal payment of \$300,000 is scheduled for no later than December 31, 2020.

ANIMAL REFUGE LEAGUE OF GREATER PORTLAND

NOTES TO THE FINANCIAL STATEMENTS

for the years ended December 31, 2019 and 2018

(See Independent Auditor's Report)

5. INVESTMENTS:

Investments are carried at fair value, and realized and unrealized gains and losses, and investment income are reflected in the statements of activities.

Investments were composed of the following as of December 31:

	2019 Fair Value	2018 Fair Value
Equities	\$ 3,694,806	\$ 3,316,392
Fixed Income	1,985,093	1,981,418
Equity Funds	546,285	593,461
Cash and Money Market Funds	406,142	196,216
Exchange Traded Funds	115,186	-
Other	95,177	102,546
Total	<u>\$ 6,842,689</u>	<u>\$ 6,190,033</u>

Investment activity is reflected in the following table for the years ended December 31:

	2019	2018
Investments at beginning of year	\$ 6,190,033	\$ 7,207,229
Donated investments	20,345	25,788
Investment returns, net:		
Dividends and interest, net of fees	99,856	112,076
Realized and unrealized gains (losses)	1,250,806	(245,734)
Total return on investments	1,350,662	(133,658)
Amounts appropriated for current operations	(718,351)	(909,326)
Investments at end of year	<u>\$ 6,842,689</u>	<u>\$ 6,190,033</u>

The Organization invests in various investment securities and money market funds. Due to the level of risk associated with investments, it is reasonably possible that changes in the value of investments will occur in the near term and that such changes could materially affect the amount reported in the statements of financial position.

6. ENDOWMENT:

During the year ended December 31, 2012, the Organization received an endowment from Bruce and Lottie Tornquist which stipulated that the principal be invested and the income only be used for the benefit of the Organization. The principal is currently invested in a savings account.

Changes in net assets for the endowment are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
December 31, 2019			
Endowment at beginning of year	\$ 510	\$ 28,371	\$ 28,881
Interest	166	-	166
Endowment at end of year	<u>\$ 676</u>	<u>\$ 28,371</u>	<u>\$ 29,047</u>
December 31, 2018			
Endowment at beginning of year	\$ 376	\$ 28,371	\$ 28,747
Interest	134	-	134
Endowment at end of year	<u>\$ 510</u>	<u>\$ 28,371</u>	<u>\$ 28,881</u>

ANIMAL REFUGE LEAGUE OF GREATER PORTLAND

NOTES TO THE FINANCIAL STATEMENTS

for the years ended December 31, 2019 and 2018

(See Independent Auditor's Report)

7. INVESTMENTS HELD BY OUTSIDE TRUSTS:

The Organization is a beneficiary of the following charitable trusts:

Lana S. Morton Trust

The Organization is a beneficiary of the Lana S. Morton charitable trust that was established in perpetuity and is held and administered by an outside trustee. Under the terms of the trust, the outside trustee pays the income of the trust equally to one life-time income beneficiary and the Organization. Upon the death of the beneficiary, 100% of the annual income will be distributed to the Organization in perpetuity. The trust's owned assets for the benefit of the Organization had a market value of \$34,440 and \$29,807 as of December 31, 2019 and 2018, respectively. Distributions from the trust totaled \$438 and \$130 during the years ended December 31, 2019 and 2018, respectively.

Madge C. Fairfax Trust

The Organization is a beneficiary of the Madge C. Fairfax charitable trust that was established in perpetuity and is held and administered by an outside trustee. The Organization will receive annual distributions equal to 3.28% of the income of the trust in perpetuity. The trust's owned assets for the benefit of the Organization had a market value of \$20,545 and \$17,800 as of December 31, 2019 and 2018, respectively. Distributions from the trust totaled \$1,502 and \$673 during the years ended December 31, 2019 and 2018, respectively.

Pauline Bill Trust

The Organization is a beneficiary of the Pauline Bill charitable trust that was established in perpetuity and is held and administered by an outside trustee. The Organization will receive annual distributions equal to 3.28% of the income of the trust in perpetuity. The trust's owned assets for the benefit of the Organization had a market value of \$23,423 and \$20,140 as of December 31, 2019 and 2018, respectively. Distributions from the trust totaled \$929 and \$944 during the years ended December 31, 2019 and 2018, respectively.

8. FAIR VALUE MEASUREMENTS:

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. In determining fair value, the Organization uses various methods including market, income and cost approaches. Based on these approaches, the Organization often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable inputs. The Organization utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation techniques, the Organization is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Level 1 – Quoted prices for identical assets and liabilities traded in active exchange markets, such as the New York Stock Exchange.

Level 2 – Observable inputs other than Level 1 including quoted prices for similar assets or liabilities, quoted prices in less active markets, or other observable inputs that can be corroborated by observable market data.

Level 3 – Unobservable inputs supported by little or no market activity for financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

In determining the appropriate levels, the Organization performs a detailed analysis of the assets and liabilities. At each reporting period, all assets and liabilities for which the fair value measurement is based on significant unobservable inputs are classified as Level 3.

ANIMAL REFUGE LEAGUE OF GREATER PORTLAND

NOTES TO THE FINANCIAL STATEMENTS

for the years ended December 31, 2019 and 2018

(See Independent Auditor's Report)

8. FAIR VALUE MEASUREMENTS (CONTINUED):

For the years ended December 31, 2019 and 2018, the application of valuation techniques applied to similar assets and liabilities has been consistent. The following is a description of the valuation methodologies used for instruments measured at fair value:

Investments

The fair value of investments is the market value based on quoted market prices, when available, or market prices provided by recognized broker dealers.

Investments Held by Outside Trusts

The fair value of investments held by outside trusts has been measured by multiplying the trusts' market values based on quoted market prices by the percentage of assets each trust held for the benefit of the Organization.

Fair values of assets measured on a recurring basis are as follows:

	Fair Value	(Level 1)	(Level 2)	(Level 3)
December 31, 2019				
Investments	\$ 6,842,689	\$ 6,842,689	\$ -	\$ -
Investments held by outside trusts	78,408	-	78,408	-
	<u>\$ 6,921,097</u>	<u>\$ 6,842,689</u>	<u>\$ 78,408</u>	<u>\$ -</u>
December 31, 2018				
Investments	\$ 6,190,033	\$ 6,190,033	\$ -	\$ -
Investments held by outside trusts	67,747	-	67,747	-
	<u>\$ 6,257,780</u>	<u>\$ 6,190,033</u>	<u>\$ 67,747</u>	<u>\$ -</u>

There were no transfers between the levels in the fair value hierarchy during the years ended December 31, 2019 and 2018.

The carrying amounts of cash and equivalents, accounts receivables, pledges receivable, note receivable, inventory, prepaid expenses, restricted endowment – cash, line of credit, notes payable, accounts payable, accrued expenses, deferred revenue, and private unfunded pension approximate fair value.

9. LINE OF CREDIT:

The Organization has a \$100,000 working capital line-of-credit agreement with a lending institution. Interest is charged at the Wall Street Journal Prime rate with a floor of 4% adjusting daily. Monthly payments of all accrued interest are due as of each payment date. The line-of-credit is secured by the shared first security interest in all business assets of the Organization and is set to be renewed annually. There was no balance outstanding as of December 31, 2019 and 2018.

10. NOTES PAYABLE:

Notes payable consisted of the following as of December 31:

	2019	2018
Construction note payable to a lending institution, entered into on April 14, 2016, at a fixed interest rate of 3.99% for the first 78 months, then floating at the Wall Street Journal Prime rate with a floor of 4% and a ceiling of 5.5% adjusting daily for the remaining 60 months; up to 18 months interest only payments during the "construction phase" followed by 120 monthly interest payments with an annual principal reduction totaling \$413,925, due in each 12 month period during the "repayment phase" of 10 years; secured by the first security interest in real property, buildings, improvements and personal property located at 449 Stroudwater Street, Westbrook, Maine, collateral assignment of leases, rents, plans, specifications, permits, contracts and approvals on the new facility as well as the existing facility, and the shared first security interest in all business assets of the Organization.	\$ 3,311,400	\$ 3,725,325
Balance forward	<u>\$ 3,311,400</u>	<u>\$ 3,725,325</u>

ANIMAL REFUGE LEAGUE OF GREATER PORTLAND

NOTES TO THE FINANCIAL STATEMENTS

for the years ended December 31, 2019 and 2018

(See Independent Auditor's Report)

10. NOTES PAYABLE (CONTINUED):

Balance carried forward	\$ 3,311,400	\$ 3,725,325
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Construction note payable to a lending institution, entered into on April 14, 2016, at a fixed interest rate of 3.99% for the first 78 months, then floating at the Wall Street Journal Prime rate with a floor of 4% and a ceiling of 5.5% adjusting daily for the remaining 60 months; up to 18 months interest only payments during the "construction phase" followed by 120 monthly interest payments with an annual principal reduction totaling \$50,304, due in each 12 month period during the "repayment phase" of 10 years; secured by the first security interest in real property, buildings, improvements and personal property located at 449 Stroudwater Street, Westbrook, Maine, collateral assignment of leases, rents, plans, specifications, permits, contracts and approvals on the new facility as well as the existing facility, and the shared first security interest in all business assets of the Organization.

	402,429	452,732
	3,713,829	4,178,057
Less current portion	(464,229)	(464,229)
Notes payable, net of current portion	\$ 3,249,600	\$ 3,713,828

The repayment phase on these notes payable began in November 2017.

Maturities of notes payable over the next five years are as follows:

2020	\$ 464,229
2021	464,229
2022	464,229
2023	464,229
2024	464,229
Thereafter	1,392,684
Total	\$ 3,713,829

The loan agreements include compliance with a loan covenant. As of December 31, 2019 and 2018, the Organization was in compliance with it.

11. NET ASSETS WITH DONOR RESTRICTIONS:

Net assets with donor restrictions are restricted for the following purposes or periods:

	2019	2018
Subject to expenditure for specific purposes:		
Restricted to capacity building, pet training and behavioral department start-up	\$ 4,616	\$ 70,780
Restricted to spay/neuter programs	-	67,945
Restricted to animal emergency fund	2,089	1,011
Restricted to other uses	15,704	8,504
Restricted to improvement of trail conditions	600	-
Not subject to appropriation and expenditure:		
Donor-designated permanent endowment fund, Note 6	28,371	28,371
Investments held by outside trusts, Note 7	78,408	67,747
Total	\$ 129,788	\$ 244,358

ANIMAL REFUGE LEAGUE OF GREATER PORTLAND

NOTES TO THE FINANCIAL STATEMENTS

for the years ended December 31, 2019 and 2018

(See Independent Auditor's Report)

12. NET ASSETS RELEASED FROM DONOR RESTRICTIONS:

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of the passage of time or other events specified by donors as follows:

	2019	2018
Purpose restrictions accomplished:		
Restricted to capacity building, pet training and behavioral department start-up	\$ 66,164	\$ 134,220
Restricted to spay/neuter programs	67,945	78,325
Restricted to animal emergency fund	5,022	9,951
Restricted to animal transportation programs	-	1,854
Restricted to other uses	8,179	7,864
Restricted to improvement of trail conditions	10,400	-
Restricted to ultrasound machine purchase	25,000	-
Restricted to vet salary and in-state transport surgeries	30,000	-
Restricted to High Hopes discounted adoption event	5,187	-
Total restrictions released	<u>\$ 217,897</u>	<u>\$ 232,214</u>

13. LIQUIDITY AND AVAILABILITY OF RESOURCES:

The following reflects the Organization's financial assets as of December 31, 2019 and 2018, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statements of financial position dates.

	2019	2018
Financial assets, at year-end	\$ 7,493,376	\$ 7,080,971
Less those unavailable for general expenditures within one year, due to:		
Minimum securities balance required under lending arrangements	4,000,000	4,000,000
Contractual or donor-imposed restrictions:		
Restricted by donors with time or purpose restrictions	23,009	148,240
Restricted by donors in perpetuity	106,779	96,118
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 3,363,588</u>	<u>\$ 2,836,613</u>

The Organization is substantially supported by restricted contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Organization must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In the event of an unanticipated liquidity need, the Organization also could draw upon its available line of credit (refer to Note 9).

14. PRIVATE UNFUNDED PENSION:

The Organization has formal agreements with two former employees. Terms of the agreements call for annual payments of \$8,100 and \$4,020 for the remainder of the respective employees' lives. These agreements are considered non-qualified pensions. The Plan is unfunded and the liability, which is recorded at the net present value of expected future payments, in the amount of approximately \$56,000 and \$60,000 has been recorded as of December 31, 2019 and 2018, respectively.

ANIMAL REFUGE LEAGUE OF GREATER PORTLAND

NOTES TO THE FINANCIAL STATEMENTS

for the years ended December 31, 2019 and 2018

(See Independent Auditor's Report)

15. SPECIAL EVENTS:

Special events consisted of the following for the years ended:

	Special Events		
	Revenue	Expenses	Net
December 31, 2019			
Annual Gala	\$ 115,219	\$ (20,910)	\$ 94,309
Ales for Tails	71,159	(17,315)	53,844
Holiday Open House	26,586	(9,098)	17,488
Shelter Sleep In	41,705	(3,229)	38,476
Other Fundraisers	149,361	-	149,361
	<u>\$ 404,030</u>	<u>\$ (50,552)</u>	<u>\$ 353,478</u>
December 31, 2018			
Annual Gala	\$ 124,240	\$ (18,431)	\$ 105,809
Ales for Tails	58,527	(15,631)	42,896
Holiday Open House	25,770	(8,697)	17,073
Business Fundraisers	49,561	-	49,561
Other Fundraisers	35,065	-	35,065
	<u>\$ 293,163</u>	<u>\$ (42,759)</u>	<u>\$ 250,404</u>

16. SUBSEQUENT EVENTS:

Management has evaluated subsequent events through September 15, 2020, the date the financial statements were available to be issued.

Subsequent to year end, a novel coronavirus (COVID-19) has emerged and is still spreading globally. In response to an order by the Governor of the State of Maine related to the coronavirus (COVID-19), in March 2020, the Organization closed its adoption center to public visitors with animal admissions and adoption available only by appointment. Management expects to see a decline in adoption revenue as well as spay neuter clinic services due to the pandemic. Contributions and Humane Education revenue are steady but uncertain the longer the pandemic continues. However, it is challenging to predict the extent the Organization will be affected because it isn't clear how widespread the virus will become or how long it will take to contain. Thus, management is unable to quantify the impact of the outbreak of the coronavirus pandemic on its operations.