

# ANIMAL REFUGE LEAGUE OF GREATER PORTLAND

**Financial Statements  
for the years ended December 31, 2020 and 2019**

(See Independent Auditor's Report)

# M<sup>c</sup>Leod | Ascanio

Certified Public Accountants

Scott A. McLeod  
Managing Principal

James Ascanio  
Managing 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, 2020 and 2019, 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

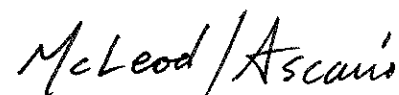
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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, 2020 and 2019, 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  
July 19, 2021

**ANIMAL REFUGE LEAGUE OF GREATER PORTLAND**

STATEMENTS OF FINANCIAL POSITION

as of December 31, 2020 and 2019

*(See Independent Auditor's Report)*

	<u>2020</u>	<u>2019</u>
<b><u>ASSETS</u></b>		
Current assets:		
Cash and equivalents	\$ 273,403	\$ 168,099
Accounts receivable	14,574	-
Pledges receivable, current portion	-	29,850
Note receivable, current portion	-	300,000
Investments	7,560,656	6,842,689
Inventory	4,325	9,074
Prepaid expenses	31,771	34,781
Other current assets	1,058	1,428
Total current assets	<u>7,885,787</u>	<u>7,385,921</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	1,046,095
Vehicles	175,028	65,028
Construction in progress	28,228	28,228
	<u>11,520,235</u>	<u>11,410,235</u>
Less accumulated depreciation	2,737,530	2,334,721
Total property, plant and equipment	<u>8,782,705</u>	<u>9,075,514</u>
Other assets:		
Note receivable, less current portion	300,000	-
Restricted endowment - cash	29,096	29,047
Investments held by outside trusts	87,468	78,408
Total other assets	<u>416,564</u>	<u>107,455</u>
Total Assets	<u>\$ 17,085,056</u>	<u>\$ 16,568,890</u>

**LIABILITIES AND NET ASSETS**

Current liabilities:		
Notes payable, current portion	\$ 464,229	\$ 464,229
Accounts payable	58,243	44,790
Accrued expenses	35,109	104,067
Deferred revenue	32,639	61,989
Total current liabilities	<u>590,220</u>	<u>675,075</u>
Other liabilities:		
Notes payable, less current portion	2,785,371	3,249,600
Private unfunded pension	53,000	56,000
Total other liabilities	<u>2,838,371</u>	<u>3,305,600</u>
Net assets:		
Without donor restrictions	13,516,136	12,458,427
With donor restrictions	140,329	129,788
Total net assets	<u>13,656,465</u>	<u>12,588,215</u>
Total Liabilities and Net Assets	<u>\$ 17,085,056</u>	<u>\$ 16,568,890</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, 2020

*(See Independent Auditor's Report)*

	<u>Without Donor</u> <u>Restrictions</u>	<u>With Donor</u> <u>Restrictions</u>	<u>Total</u>
Operating revenues, gains and other support:			
Contributions	953,789	14,045	\$ 967,834
Bequests	506,707	-	506,707
Annual fund	474,537	-	474,537
Municipal contracts	290,052	-	290,052
Placed animal adoption fees	549,921	-	549,921
Shelter services	246,340	-	246,340
Special events	217,384	-	217,384
In-kind donations	211,264	-	211,264
Merchandise sales	17,489	-	17,489
Other income	14,042	-	14,042
Net assets released from restrictions:			
Satisfaction of time and purpose restrictions	12,564	(12,564)	-
Total operating revenues, gains and other support	<u>3,494,089</u>	<u>1,481</u>	<u>3,495,570</u>
Operating expenses:			
Program services	2,797,791	-	2,797,791
Management and general	385,772	-	385,772
Fundraising	494,888	-	494,888
Total operating expenses	<u>3,678,451</u>	<u>-</u>	<u>3,678,451</u>
Operating revenues, gains and other support in excess (deficit) of operating expenses	(184,362)	1,481	(182,881)
Other changes:			
Dividends and interest, net of fees totaling \$26,757	90,082	-	90,082
Trust income	2,091	-	2,091
Realized and unrealized gains (losses) on investments, net	853,061	-	853,061
Change in value of investments held by outside trusts	-	9,060	9,060
Forgiveness of PPP loan	296,837	-	296,837
Change in net assets	1,057,709	10,541	1,068,250
Net assets at beginning of year	<u>12,458,427</u>	<u>129,788</u>	<u>12,588,215</u>
Net assets at end of year	<u><u>\$13,516,136</u></u>	<u><u>\$ 140,329</u></u>	<u><u>\$13,656,465</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)*

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Operating revenues, gains and other support:			
Contributions	617,726	92,666	\$ 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	217,897	(217,897)	-
Total operating revenues, gains and other support	<u>3,334,778</u>	<u>(125,231)</u>	<u>3,209,547</u>
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	<u>3,989,248</u>	<u>-</u>	<u>3,989,248</u>
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	<u>11,745,144</u>	<u>244,358</u>	<u>11,989,502</u>
Net assets at end of year	<u>\$ 12,458,427</u>	<u>\$ 129,788</u>	<u>\$ 12,588,215</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, 2020

*(See Independent Auditor's Report)*

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and wages	\$ 1,354,851	\$ 172,716	\$ 187,851	\$ 1,715,418
Depreciation	281,967	60,421	60,421	402,809
Veterinarian fees and supplies	182,566	35	-	182,601
Repairs and maintenance	108,780	20,778	21,414	150,972
Interest expense	104,303	22,000	22,000	148,303
Payroll taxes	116,438	13,330	14,506	144,274
Employee benefits	95,867	15,759	13,895	125,521
Utilities	82,017	15,617	16,020	113,654
In-kind donations	101,264	-	-	101,264
Fundraising expense	8,553	-	91,093	99,646
Shelter operations	83,383	2,570	2,570	88,523
Computer services	60,933	10,232	10,250	81,415
Insurance	57,072	11,173	12,751	80,996
Animal transport expenses	61,781	-	-	61,781
Bank and payroll fees	36,550	3,017	20,560	60,127
Miscellaneous	13,431	6,423	200	20,054
Telephone	12,547	2,658	2,658	17,863
Professional fees	1,002	15,235	-	16,237
Printing and postage	1,980	1,862	8,941	12,783
Educational expenses	9,219	-	-	9,219
Pension expense	-	9,120	-	9,120
Special events expense	-	-	9,068	9,068
Travel and vehicle expenses	4,924	381	45	5,350
Impound fees	5,140	-	-	5,140
Merchandise for resale	5,120	-	-	5,120
Dues and licenses	3,118	1,839	20	4,977
Office supplies and expenses	3,104	400	625	4,129
Advertising	1,881	206	-	2,087
Total expenses	<u>\$ 2,797,791</u>	<u>\$ 385,772</u>	<u>\$ 494,888</u>	<u>\$ 3,678,451</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)*

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
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**

**STATEMENTS OF CASH FLOWS**

as of December 31, 2020 and 2019

*(See Independent Auditor's Report)*

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Change in net assets	\$1,068,250	\$ 598,713
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	402,809	391,262
Bad debt expense	-	1,826
Forgiveness of PPP loan	(296,837)	-
Interest expense on PPP loan	1,637	-
(Gains) losses on disposal of property, plant and equipment, net	-	(6,973)
Realized and unrealized (gains) losses on investments, net	(853,061)	(1,250,806)
Change in value of investments held by outside trusts	(9,060)	(10,661)
Donated investments	(380,358)	(20,345)
Donated property, plant and equipment	(110,000)	-
(Increase) decrease in operating assets:		
Accounts receivable	(14,574)	18,608
Pledges receivable	29,850	73,694
Inventory	4,749	(3,751)
Prepaid expenses	3,010	(1,370)
Other current assets	370	35,699
Increase (decrease) in operating liabilities:		
Accounts payable	13,453	(46,211)
Accrued expenses	(68,958)	1,421
Deferred revenue	(29,350)	(8,903)
Private unfunded pension	(3,000)	(4,000)
Net cash provided (used) by operating activities	<u>(241,070)</u>	<u>(231,797)</u>
Cash flows from investing activities:		
Proceeds from sale of property, plant and equipment	-	6,973
Purchases of property, plant and equipment	-	(55,649)
Proceeds from sale of investments	1,582,217	2,072,426
Purchases of investments	<u>(1,066,765)</u>	<u>(1,453,931)</u>
Net cash provided (used) by investing activities	515,452	569,819
Cash flows from financing activities:		
Proceeds from PPP loan	295,200	-
Repayments of notes payable	<u>(464,229)</u>	<u>(464,228)</u>
Net cash provided (used) by financing activities	<u>(169,029)</u>	<u>(464,228)</u>
Net change in cash and equivalents, and restricted endowment - cash during the year	105,353	(126,206)
Cash and equivalents, and restricted endowment - cash at beginning of year	<u>197,146</u>	<u>323,352</u>
Cash and equivalents, and restricted endowment - cash at end of year	<u>\$ 302,499</u>	<u>\$ 197,146</u>
<i>Supplemental cash flow disclosures:</i>		
Cash paid for interest	<u>\$ 149,252</u>	<u>\$ 165,572</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, 2020 and 2019  
(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:

Recently Adopted Accounting Pronouncements

Effective January 1, 2020, the Society adopted Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers (Topic 606)*, and all related subsequent ASUs. The new standard supersedes most existing revenue recognition guidance. It provides a principles-based framework for recognizing revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration entity expects in exchange for the goods or services provided. It also requires enhanced disclosures to enable users of financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. The Organization adopted ASU 2014-09 and all related amendments using the modified retrospective transition method. The Organization concluded that the adoption of the new standard had no significant effect and did not require an adjustment to the opening net assets balance.

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, 2020 and 2019.

**ANIMAL REFUGE LEAGUE OF GREATER PORTLAND**

NOTES TO THE FINANCIAL STATEMENTS  
for the years ended December 31, 2020 and 2019  
*(See Independent Auditor's Report)*

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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.

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:

	<u>Years</u>
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, 2020 and 2019 was \$402,809 and \$391,262, 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; forgiveness of PPP loan; 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 annual contracts with the municipalities. The performance obligation of each contract is satisfied over the term of one year. The municipal contract fees are billed and collected in even, quarterly installments. As a practical expedient, the Organization considers each contract to be one performance obligation, unless the circumstances dictate otherwise. Funds received in advance of work performed are recorded as deferred revenue until earned.

**ANIMAL REFUGE LEAGUE OF GREATER PORTLAND**

NOTES TO THE FINANCIAL STATEMENTS  
for the years ended December 31, 2020 and 2019  
*(See Independent Auditor's Report)*

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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, 2020 and 2019 was \$211,264 and \$211,337, respectively.

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 22,000 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, 2020 and 2019 were \$2,087 and \$10,432, 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, 2020, it does not believe that any tax positions that would require adjustments to the financial statements have been taken. As of December 31, 2020, 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, 2017 through 2020.

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.

**ANIMAL REFUGE LEAGUE OF GREATER PORTLAND**

NOTES TO THE FINANCIAL STATEMENTS

for the years ended December 31, 2020 and 2019

*(See Independent Auditor's Report)*

3. PLEDGES RECEIVABLE:

As of December 31, 2020, there were no pledges receivable to be collected. As of December 31, 2019, pledges receivable balance was \$29,850 and was due in less than one year. Management believed that all pledges were 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. Interest on the remaining \$300,000 principal is paid monthly. The final principal payment of \$300,000 was scheduled for no later than December 31, 2020. During the year ended December 31, 2020, the note was amended to extend that due date through December 31, 2022.

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:

	2020	2019
	Fair Value	Fair Value
Equities	\$ 4,118,009	\$ 3,694,806
Fixed Income	1,815,618	1,985,093
Equity Funds	590,685	546,285
Cash and Money Market Funds	608,183	406,142
Exchange Traded Funds	292,195	115,186
Other	135,966	95,177
Total	<u>\$ 7,560,656</u>	<u>\$ 6,842,689</u>

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

	2020	2019
Investments at beginning of year	\$ 6,842,689	\$ 6,190,033
Donated investments	380,358	20,345
Investment returns, net:		
Dividends and interest, net of fees	82,461	99,856
Realized and unrealized gains (losses)	853,061	1,250,806
Total return on investments	935,522	1,350,662
Amounts appropriated for current operations	<u>(597,913)</u>	<u>(718,351)</u>
Investments at end of year	<u>\$ 7,560,656</u>	<u>\$ 6,842,689</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.

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6. ENDOWMENT (CONTINUED):

Changes in net assets for the endowment are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
December 31, 2020			
Endowment at beginning of year	\$ 676	\$ 28,371	\$ 29,047
Interest	49	-	49
Endowment at end of year	<u>\$ 725</u>	<u>\$ 28,371</u>	<u>\$ 29,096</u>
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>

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 \$38,342 and \$34,440 as of December 31, 2020 and 2019, respectively. Distributions from the trust totaled \$476 and \$438 during the years ended December 31, 2020 and 2019, 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 \$23,028 and \$20,545 as of December 31, 2020 and 2019, respectively. Distributions from the trust totaled \$703 and \$1,502 during the years ended December 31, 2020 and 2019, 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 \$26,098 and \$23,423 as of December 31, 2020 and 2019, respectively. Distributions from the trust totaled \$912 and \$929 during the years ended December 31, 2020 and 2019, 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.

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8. FAIR VALUE MEASUREMENTS (CONTINUED):

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.

For the years ended December 31, 2020 and 2019, 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:

	<u>Fair Value</u>	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>
December 31, 2020				
Investments	\$ 7,560,656	\$ 7,560,656	\$ -	\$ -
Investments held by outside trusts	<u>87,468</u>	<u>-</u>	<u>87,468</u>	<u>-</u>
	<u>\$ 7,648,124</u>	<u>\$ 7,560,656</u>	<u>\$ 87,468</u>	<u>\$ -</u>
December 31, 2019				
Investments	\$ 6,842,689	\$ 6,842,689	\$ -	\$ -
Investments held by outside trusts	<u>78,408</u>	<u>-</u>	<u>78,408</u>	<u>-</u>
	<u>\$ 6,921,097</u>	<u>\$ 6,842,689</u>	<u>\$ 78,408</u>	<u>\$ -</u>

There were no transfers between the levels in the fair value hierarchy during the years ended December 31, 2020 and 2019.

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, 2020 and 2019.

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10. NOTES PAYABLE:

Notes payable consisted of the following as of December 31:

	<u>2020</u>	<u>2019</u>
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.	\$ 2,897,475	\$ 3,311,400
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.	<u>352,125</u>	<u>402,429</u>
	3,249,600	3,713,829
Less current portion	<u>(464,229)</u>	<u>(464,229)</u>
Notes payable, net of current portion	<u>\$ 2,785,371</u>	<u>\$ 3,249,600</u>

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

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

2021	\$	464,229
2022		464,229
2023		464,229
2024		464,229
2025		464,229
Thereafter		<u>928,455</u>
Total	\$	<u>3,249,600</u>

The loan agreements include compliance with a loan covenant. As of December 31, 2020 and 2019, the Organization was in compliance with it.

On April 14, 2020, the Organization has received the U.S. Small Business Administration (the "SBA") loan in the amount of \$295,200 under the Paycheck Protection Program ("PPP") established by the Coronavirus Aid, Relief, and Economic Security ("CARES") Act. Under the terms of the loan, a portion, or all, of the loan was forgivable to the extent that loan proceeds were used to fund qualifying payroll, rent and utilities during a designated twenty-four-week period. The full amount of the loan and accrued interest has been forgiven during the year ended December 31, 2020.

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11. NET ASSETS WITH DONOR RESTRICTIONS:

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

	<u>2020</u>	<u>2019</u>
Subject to expenditure for specific purposes:		
Restricted to capacity building, pet training and behavioral department start-up	\$ 4,424	\$ 4,616
Restricted to animal emergency fund	4,648	2,089
Restricted to other uses	15,418	15,704
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	<u>87,468</u>	<u>78,408</u>
Total	<u>\$ 140,329</u>	<u>\$ 129,788</u>

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:

	<u>2020</u>	<u>2019</u>
Purpose restrictions accomplished:		
Restricted to capacity building, pet training and behavioral department start-up	\$ 192	\$ 66,164
Restricted to spay/neuter programs	-	67,945
Restricted to animal emergency fund	8,553	5,022
Restricted to other uses	1,036	8,179
Restricted to improvement of trail conditions	2,783	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>\$ 12,564</u>	<u>\$ 217,897</u>

13. LIQUIDITY AND AVAILABILITY OF RESOURCES:

The following reflects the Organization's financial assets as of December 31, 2020 and 2019, 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.

	<u>2020</u>	<u>2019</u>
Financial assets, at year-end	\$ 8,302,351	\$ 7,493,376
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	24,490	23,009
Restricted by donors in perpetuity	<u>115,839</u>	<u>106,779</u>
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 4,162,022</u>	<u>\$ 3,363,588</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).



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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 \$53,000 and \$56,000 has been recorded as of December 31, 2020 and 2019, respectively.

15. SPECIAL EVENTS:

Special events consisted of the following for the years ended:

	Special Events		
	Revenue	Expenses	Net
December 31, 2020			
Annual Gala	\$ 10,620	\$ -	\$ 10,620
Holiday Open House	12,711	(6,268)	6,443
Shelter Sleep In	64,290	(2,800)	61,490
Other Fundraisers	129,763	-	129,763
	<u>\$ 217,384</u>	<u>\$ (9,068)</u>	<u>\$ 208,316</u>
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>

16. UNCERTAINTY:

During the year ended December 31, 2020, local, U.S. and world governments encouraged self-isolation to curtail the spread of the global pandemic, COVID-19, by mandating the temporary shut-down of businesses in many sectors and imposing limitations on travel and the size and duration of group meetings. While these mandates have slowly become less restrictive in some areas, most sectors are still experiencing disruption to business operations. There is unprecedented uncertainty surrounding the duration of the pandemic, its potential economic ramifications, and any government actions to mitigate them. Therefore, while management expects this matter to negatively impact the Organization's operations, the full financial impact and duration cannot be reasonably estimated at this time.

17. SUBSEQUENT EVENTS:

Management has evaluated subsequent events through July 19, 2021, the date the financial statements were available to be issued.

No matters have arisen since year-end through the date of management's evaluation date that would require adjustment to the financial statements or disclosures presented herein.