

Animal Refuge League of Greater Portland

Financial Statements

For the years ended December 31, 2021 and 2020

(See Independent Auditor's Report)

M^cLeod | Ascanio

Certified Public Accountants

Scott A. M^cLeod
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

Opinion

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, 2021 and 2020, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Animal Refuge League of Greater Portland as of December 31, 2021 and 2020, 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.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of 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.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Animal Refuge League of Greater Portland's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Animal Refuge League of Greater Portland's ability to continue as a going concern for a reasonable period of time.

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

A handwritten signature in black ink, appearing to read "M. J. Ascazio". The signature is written in a cursive style with a large, stylized initial "M".

Cumberland Foreside, Maine
September 30, 2022

ANIMAL REFUGE LEAGUE OF GREATER PORTLAND

STATEMENTS OF FINANCIAL POSITION

as of December 31, 2021 and 2020

(See Independent Auditor's Report)

	<u>2021</u>	<u>2020</u>
<u>ASSETS</u>		
Current assets:		
Cash and equivalents	\$ 797,304	\$ 273,403
Accounts receivable	4,979	14,574
Grants receivable, current portion	50,000	-
Pledges receivable, current portion	50,000	-
Note receivable, current portion	300,000	-
Investments	8,075,409	7,560,656
Inventory	17,742	4,325
Prepaid expenses	68,008	31,771
Other current assets	3,011	1,058
Total current assets	<u>9,366,453</u>	<u>7,885,787</u>
Property, plant and equipment:		
Land and improvements	467,894	467,894
Buildings and improvements	9,802,990	9,802,990
Machinery and equipment	1,055,597	1,046,095
Vehicles	182,721	175,028
Construction in progress	28,228	28,228
	<u>11,537,430</u>	<u>11,520,235</u>
Less accumulated depreciation	3,148,970	2,737,530
Total property, plant and equipment	<u>8,388,460</u>	<u>8,782,705</u>
Other assets:		
Pledges receivable, less current portion	50,000	-
Note receivable, less current portion	-	300,000
Restricted endowment - cash	29,125	29,096
Investments held by outside trusts	94,518	87,468
Total other assets	<u>173,643</u>	<u>416,564</u>
Total Assets	<u>\$ 17,928,556</u>	<u>\$ 17,085,056</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current liabilities:		
Notes payable, current portion	\$ 464,229	\$ 464,229
Accounts payable	87,174	58,243
Accrued expenses	48,847	35,109
Deferred revenue	-	32,639
Total current liabilities	<u>600,250</u>	<u>590,220</u>
Other liabilities:		
Notes payable, less current portion	2,321,142	2,785,371
Private unfunded pension	51,000	53,000
Total other liabilities	<u>2,372,142</u>	<u>2,838,371</u>
Net assets:		
Without donor restrictions	14,666,420	13,516,136
With donor restrictions	289,744	140,329
Total net assets	<u>14,956,164</u>	<u>13,656,465</u>
Total Liabilities and Net Assets	<u>\$ 17,928,556</u>	<u>\$ 17,085,056</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, 2021

(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	\$ 1,000,903	\$ 126,753	\$ 1,127,656
Bequests	699,869	-	699,869
Annual fund	584,584	50,000	634,584
Municipal contracts	290,052	-	290,052
Placed animal adoption fees	670,702	-	670,702
Shelter services	311,424	-	311,424
Special events	295,669	-	295,669
In-kind donations	124,745	-	124,745
Merchandise sales	33,585	-	33,585
Other income	3,560	-	3,560
Net assets released from restrictions:			
Satisfaction of time and purpose restrictions	<u>34,388</u>	<u>(34,388)</u>	<u>-</u>
Total operating revenues, gains and other support	4,049,481	142,365	4,191,846
Operating expenses:			
Program services	2,933,736	-	2,933,736
Management and general	402,939	-	402,939
Fundraising	<u>541,194</u>	<u>-</u>	<u>541,194</u>
Total operating expenses	<u>3,877,869</u>	<u>-</u>	<u>3,877,869</u>
Operating revenues, gains and other support in excess (deficit) of operating expenses	171,612	142,365	313,977
Other changes:			
Dividends and interest, net of fees totaling \$29,404	141,253	-	141,253
Trust income	1,824	-	1,824
Realized and unrealized gains (losses) on investments, net	835,595	-	835,595
Change in value of investments held by outside trusts	<u>-</u>	<u>7,050</u>	<u>7,050</u>
Change in net assets	1,150,284	149,415	1,299,699
Net assets at beginning of year	<u>13,516,136</u>	<u>140,329</u>	<u>13,656,465</u>
Net assets at end of year	<u>\$14,666,420</u>	<u>\$ 289,744</u>	<u>\$14,956,164</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)

	Without Donor Restrictions	With Donor Restrictions	Total
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>\$13,516,136</u>	<u>\$ 140,329</u>	<u>\$13,656,465</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, 2021

(See Independent Auditor's Report)

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and wages	\$ 1,425,625	\$ 178,802	\$ 183,593	\$ 1,788,020
Depreciation	288,200	61,621	61,621	411,442
Veterinarian fees and supplies	193,900	209	40	194,149
Repairs and maintenance	117,541	21,319	21,815	160,675
Employee benefits	114,659	19,245	14,535	148,439
Payroll taxes	115,609	13,261	17,799	146,669
Interest expense	89,054	19,083	19,463	127,600
Utilities	85,559	16,568	17,577	119,704
In-kind donations	117,052	-	-	117,052
Fundraising expense	7,415	-	96,605	104,020
Computer services	64,240	11,666	12,733	88,639
Shelter operations	77,795	3,604	3,604	85,003
Insurance	45,794	11,524	12,195	69,513
Bank and payroll fees	41,345	3,201	24,098	68,644
Animal transport expenses	52,994	-	-	52,994
Miscellaneous	23,015	10,703	596	34,314
Telephone	15,403	3,301	3,301	22,005
Special events expense	-	-	36,194	36,194
Printing and postage	4,801	1,491	9,609	15,901
Educational expenses	15,384	-	-	15,384
Merchandise for resale	15,348	-	-	15,348
Professional fees	221	13,875	-	14,096
Pension expense	-	10,120	-	10,120
Advertising	3,693	412	5,165	9,270
Dues and licenses	5,268	2,117	20	7,405
Travel and vehicle expenses	5,476	374	28	5,878
Impound fees	5,625	-	-	5,625
Office supplies and expenses	2,720	443	603	3,766
Total expenses	<u>\$ 2,933,736</u>	<u>\$ 402,939</u>	<u>\$ 541,194</u>	<u>\$ 3,877,869</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	\$ 2,797,791	\$ 385,772	\$ 494,888	\$ 3,678,451

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, 2021 and 2020

(See Independent Auditor's Report)

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Change in net assets	\$1,299,699	\$1,068,250
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	411,442	402,809
Forgiveness of PPP loan	-	(296,837)
Interest expense on PPP loan	-	1,637
Realized and unrealized (gains) losses on investments, net	(835,595)	(853,061)
Change in value of investments held by outside trusts	(7,050)	(9,060)
Donated investments	(8,294)	(380,358)
Donated property, plant and equipment	(7,694)	(110,000)
(Increase) decrease in operating assets:		
Accounts receivable	9,595	(14,574)
Grants receivable	(50,000)	-
Pledges receivable	(100,000)	29,850
Inventory	(13,417)	4,749
Prepaid expenses	(36,237)	3,010
Other current assets	(1,953)	370
Increase (decrease) in operating liabilities:		
Accounts payable	28,931	13,453
Accrued expenses	13,738	(68,958)
Deferred revenue	(32,639)	(29,350)
Private unfunded pension	(2,000)	(3,000)
Net cash provided (used) by operating activities	<u>668,526</u>	<u>(241,070)</u>
Cash flows from investing activities:		
Purchases of property, plant and equipment	(9,503)	-
Proceeds from sale of investments	1,364,449	1,582,217
Purchases of investments	<u>(1,035,313)</u>	<u>(1,066,765)</u>
Net cash provided (used) by investing activities	319,633	515,452
Cash flows from financing activities:		
Proceeds from PPP loan	-	295,200
Repayments of notes payable	<u>(464,229)</u>	<u>(464,229)</u>
Net cash provided (used) by financing activities	<u>(464,229)</u>	<u>(169,029)</u>
Net change in cash and equivalents, and restricted endowment - cash during the year	523,930	105,353
Cash and equivalents, and restricted endowment - cash at beginning of year	<u>302,499</u>	<u>197,146</u>
Cash and equivalents, and restricted endowment - cash at end of year	<u>\$ 826,429</u>	<u>\$ 302,499</u>
<i>Supplemental cash flow disclosures:</i>		
Cash paid for interest	<u>\$ 128,503</u>	<u>\$ 149,252</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, 2021 and 2020

(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, 2021 and 2020.

ANIMAL REFUGE LEAGUE OF GREATER PORTLAND

NOTES TO THE FINANCIAL STATEMENTS

for the years ended December 31, 2021 and 2020

(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, 2021 and 2020 was \$411,442 and \$402,809, 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, 2021 and 2020

(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, 2021 and 2020 was \$124,745 and \$211,264, 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, 2021 and 2020 were \$9,270 and \$2,087, 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, 2021, it does not believe that any tax positions that would require adjustments to the financial statements have been taken. As of December 31, 2021, 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, 2018 through 2021.

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, 2021 and 2020
(See Independent Auditor's Report)

3. PLEDGES RECEIVABLE:

As of December 31, 2021, pledges receivable balance was \$100,000 with \$50,000 due in less than one year. As of December 31, 2020, there were no pledges receivable to be collected. 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:

	2021 Fair Value	2020 Fair Value
Equities	\$ 4,220,959	\$ 4,118,009
Fixed Income	2,276,144	1,815,618
Equity Funds	483,050	590,685
Cash and Money Market Funds	554,919	608,183
Exchange Traded Funds	407,094	292,195
Other	133,243	135,966
Total	<u>\$ 8,075,409</u>	<u>\$ 7,560,656</u>

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

	2021	2020
Investments at beginning of year	\$ 7,560,656	\$ 6,842,689
Donated investments	8,294	380,358
Investment returns, net:		
Dividends and interest, net of fees	134,864	82,461
Realized and unrealized gains (losses)	835,595	853,061
Total return on investments	977,509	935,522
Amounts appropriated for current operations	(464,000)	(597,913)
Investments at end of year	<u>\$ 8,075,409</u>	<u>\$ 7,560,656</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.

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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, 2021			
Endowment at beginning of year	\$ 725	\$ 28,371	\$ 29,096
Interest	29	-	29
Endowment at end of year	<u>\$ 754</u>	<u>\$ 28,371</u>	<u>\$ 29,125</u>
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>

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 \$41,229 and \$38,342 as of December 31, 2021 and 2020, respectively. Distributions from the trust totaled \$4 and \$476 during the years ended December 31, 2021 and 2020, 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 \$25,040 and \$23,028 as of December 31, 2021 and 2020, respectively. Distributions from the trust totaled \$787 and \$703 during the years ended December 31, 2021 and 2020, 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 \$28,249 and \$26,098 as of December 31, 2021 and 2020, respectively. Distributions from the trust totaled \$1,033 and \$912 during the years ended December 31, 2021 and 2020, respectively.

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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.

For the years ended December 31, 2021 and 2020, 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, 2021				
Investments	\$ 8,075,409	\$ 8,075,409	\$ -	\$ -
Investments held by outside trusts	94,518	-	94,518	-
	<u>\$ 8,169,927</u>	<u>\$ 8,075,409</u>	<u>\$ 94,518</u>	<u>\$ -</u>
December 31, 2020				
Investments	\$ 7,560,656	\$ 7,560,656	\$ -	\$ -
Investments held by outside trusts	87,468	-	87,468	-
	<u>\$ 7,648,124</u>	<u>\$ 7,560,656</u>	<u>\$ 87,468</u>	<u>\$ -</u>

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8. FAIR VALUE MEASUREMENTS (CONTINUED):

There were no transfers between the levels in the fair value hierarchy during the years ended December 31, 2021 and 2020.

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, 2021 and 2020.

10. NOTES PAYABLE:

Notes payable consisted of the following as of December 31:

	<u>2021</u>	<u>2020</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.	\$ 2,483,550	\$ 2,897,475
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>301,821</u>	<u>352,125</u>
	2,785,371	3,249,600
Less current portion	<u>(464,229)</u>	<u>(464,229)</u>
Notes payable, net of current portion	<u>\$ 2,321,142</u>	<u>\$ 2,785,371</u>

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

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10. NOTES PAYABLE (CONTINUED):

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

2022	\$ 464,229
2023	464,229
2024	464,229
2025	464,229
2026	464,229
Thereafter	464,226
Total	<u>\$ 2,785,371</u>

The loan agreements include compliance with a loan covenant. As of December 31, 2021 and 2020, the Organization was in compliance with it.

On April 14, 2020, the Organization received a 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 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 was forgiven during the year ended December 31, 2020.

11. 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 \$51,000 and \$53,000 has been recorded as of December 31, 2021 and 2020, respectively.

12. NET ASSETS WITH DONOR RESTRICTIONS:

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

Subject to expenditure for specific purposes:	2021	2020
Restricted to capacity building, pet training and behavioral department start-up	\$ 4,232	\$ 4,424
Restricted to animal emergency fund	5,141	4,648
Restricted to purchase a neonatal kitten incubator	260	-
Restricted to veterinary care	1,552	-
Restricted to vaccine clinic	581	-
Restricted to other uses	5,089	15,418
Subject to the passage of time:		
Pledges receivable	100,000	-
Grant receivable	50,000	-
Not subject to appropriation and expenditure:		
Donor-designated permanent endowment fund, Note 6	28,371	28,371
Investments held by outside trusts, Note 7	94,518	87,468
Total	<u>\$ 289,744</u>	<u>\$ 140,329</u>

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13. NET ASSETS RELEASED FROM DONOR RESTRICTIONS:

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

	<u>2021</u>	<u>2020</u>
Purpose restrictions accomplished:		
Restricted to capacity building, pet training and behavioral department start-up	\$ 192	\$ 192
Restricted to animal emergency fund	7,415	8,553
Restricted to purchase a neonatal kitten incubator	1,240	-
Restricted to veterinary care	8,448	-
Restricted to animal food	500	-
Restricted to vaccine clinic	3,419	-
Restricted to other uses	13,174	1,036
Restricted to improvement of trail conditions	-	2,783
Total restrictions released	<u>\$ 34,388</u>	<u>\$ 12,564</u>

14. LIQUIDITY AND AVAILABILITY OF RESOURCES:

The following reflects the Organization's financial assets as of December 31, 2021 and 2020, 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>2021</u>	<u>2020</u>
Financial assets, at year-end	\$ 9,540,096	\$ 8,302,351
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	166,854	24,490
Restricted by donors in perpetuity	122,889	115,839
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 5,250,353</u>	<u>\$ 4,162,022</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).

15. SPECIAL EVENTS:

Special events consisted of the following for the years ended:

December 31, 2021	Special Events		
	<u>Revenue</u>	<u>Expenses</u>	<u>Net</u>
Annual Gala	\$ 30	\$ -	\$ 30
Holiday Open House	14,655	(10,169)	4,486
Ales for Tails	1,500	(2,250)	(750)
Shelter Sleep In	145,974	(3,754)	142,220
Golf Tournament	40,083	(11,377)	28,706
Plant Sale	9,300	(167)	9,133
Other Fundraisers	84,127	(8,477)	75,650
	<u>\$ 295,669</u>	<u>\$ (36,194)</u>	<u>\$ 259,475</u>

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15. SPECIAL EVENTS (CONTINUED):

December 31, 2020	Special Events		
	Revenue	Expenses	Net
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>

16. UNCERTAINTY:

During the year ended December 31, 2021, 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 September 30, 2022, 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.