



ANIMAL RESCUE LEAGUE
OF SOUTHERN RHODE ISLAND
d/b/a ANIMAL RESCUE RHODE ISLAND

Financial Statements

December 31, 2022
(with Comparative Totals for 2021)

ANIMAL RESCUE LEAGUE OF SOUTHERN RHODE ISLAND

d/b/a ANIMAL RESCUE RHODE ISLAND

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Animal Rescue League of Southern Rhode Island
d/b/a Animal Rescue Rhode Island
Peace Dale, Rhode Island

Opinion

We have audited the accompanying financial statements of Animal Rescue League of Southern Rhode Island (a Rhode Island non-profit organization), doing business as Animal Rescue Rhode Island, which comprise the statement of financial position as of December 31, 2022 and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year 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 Rescue League of Southern Rhode Island as of December 31, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit 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 Rescue League of Southern Rhode Island and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. 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, and for 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 Rescue League of Southern Rhode Island's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' 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, including omissions, 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 Rescue League of Southern Rhode Island'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 Rescue League of Southern Rhode Island'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.

Report on Summarized Comparative Information

We have previously audited the Animal Rescue League of Southern Rhode Island's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 9, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Calise, Mancini & Barbicieri, PC

Exeter, Rhode Island
September 27, 2023

ANIMAL RESCUE LEAGUE OF SOUTHERN RHODE ISLAND

d/b/a ANIMAL RESCUE RHODE ISLAND

Statement of Financial Position

December 31, 2022

(with Comparative Totals as of December 31, 2021)

	<u>2022</u>	<u>2021</u>
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 432,851	\$ 118,443
Unconditional Promises to Give, Net	306,500	130,841
Insurance Claim Receivable	11,472	-
Prepaid Expenses and Other Assets	8,389	13,040
Total Current Assets	<u>759,212</u>	<u>262,324</u>
Property and Equipment, Net	<u>1,708,787</u>	<u>1,748,662</u>
Noncurrent Assets:		
Long-term Portions of Unconditional Promises to Give	7,000	-
Investments	830,149	941,764
Total Noncurrent Assets	<u>837,149</u>	<u>941,764</u>
Total Assets	<u>\$ 3,305,148</u>	<u>\$ 2,952,750</u>
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts Payable	\$ 19,633	\$ 10,553
Accrued Expenses	13,054	16,874
Refundable Deposits	10,140	7,102
Refundable CARES Act Employee Retention Credit Funding	-	18,316
Note Payable, Current Portion	3,862	1,891
Total Current Liabilities	<u>46,689</u>	<u>54,736</u>
Long-Term Liabilities:		
Note Payable	143,573	148,009
Accrued Interest on Note Payable	-	1,948
Total Long-Term Liabilities	<u>143,573</u>	<u>149,957</u>
Total Liabilities	<u>190,262</u>	<u>204,693</u>
Net Assets:		
Without Donor Restrictions:		
General	1,037,520	641,936
Invested in Property and Equipment	1,708,787	1,748,662
Board Designated:		
Operational Reserve	60,000	60,000
Total Without Donor Restrictions	<u>2,806,307</u>	<u>2,450,598</u>
With Donor Restrictions	308,579	297,459
Total Net Assets	<u>3,114,886</u>	<u>2,748,057</u>
Total Liabilities and Net Assets	<u>\$ 3,305,148</u>	<u>\$ 2,952,750</u>

See independent auditors' report and accompanying notes to financial statements.

ANIMAL RESCUE LEAGUE OF SOUTHERN RHODE ISLAND
d/b/a ANIMAL RESCUE RHODE ISLAND
Statement of Activities
Year Ended December 31, 2022
(with Comparative Totals for the Year Ended December 31, 2021)

	2022			2021
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Totals</u>	<u>Totals Only</u>
Public Support and Revenue:				
Contributions and Grant Income	\$ 1,015,850	\$ 134,208	\$ 1,150,058	\$ 380,085
Contributions of Nonfinancial Assets	55,810	-	55,810	33,781
Donated Services	1,623	-	1,623	-
Shelter Revenue and Other Support	134,825	-	134,825	123,848
Special Events, Net of Direct Expenses	230,919	-	230,919	54,185
CARES Act Employee Retention Credits	4,100	-	4,100	51,224
CARES Act Program Loan Forgiveness	-	-	-	92,400
Miscellaneous Income	2,289	-	2,289	4,467
Total Public Support and Revenue	<u>1,445,416</u>	<u>134,208</u>	<u>1,579,624</u>	<u>739,990</u>
Net Assets Released from Restriction	<u>105,171</u>	<u>(105,171)</u>	<u>-</u>	<u>-</u>
Total Public Support and Revenue	<u>1,550,587</u>	<u>29,037</u>	<u>1,579,624</u>	<u>739,990</u>
Expenses:				
Shelter and Humane Education Program	779,662	-	779,662	737,011
Management and General Expenses	144,334	-	144,334	121,180
Fundraising Expenses	186,100	-	186,100	197,911
Total Expenses	<u>1,110,096</u>	<u>-</u>	<u>1,110,096</u>	<u>1,056,102</u>
Income (Loss) from Operations	440,491	29,037	469,528	(316,112)
Non-Operating Income:				
Interest and Investment Income, Net	(93,762)	(17,917)	(111,679)	81,798
Insurance Claim Proceeds	11,472	-	11,472	-
Gain (Loss) on Disposition of Property	(2,492)	-	(2,492)	2,132
Changes in Net Assets	355,709	11,120	366,829	(232,182)
Net Assets, Beginning of Year	<u>2,450,598</u>	<u>297,459</u>	<u>2,748,057</u>	<u>2,980,239</u>
Net Assets, End of Year	<u>\$ 2,806,307</u>	<u>\$ 308,579</u>	<u>\$ 3,114,886</u>	<u>\$ 2,748,057</u>

See independent auditors' report and accompanying notes to financial statements.

ANIMAL RESCUE LEAGUE OF SOUTHERN RHODE ISLAND
d/b/a ANIMAL RESCUE RHODE ISLAND
Statement of Functional Expenses
Year Ended December 31, 2022
(with Comparative Totals for the Year Ended December 31, 2021)

	2022						2021
	Shelter and Humane Education Program	Total Program Expenses	Management and General	Fundraising	Total Supporting Service Expenses	Totals	Totals Only
Personnel Costs:							
Salaries and Wages	\$ 327,661	\$ 327,661	\$ 69,572	\$ 134,254	\$ 203,826	\$ 531,487	\$ 517,614
Payroll Taxes	29,749	29,749	6,317	12,189	18,506	48,255	46,873
Employee Benefits	12,999	12,999	5,143	6,581	11,724	24,723	21,887
Total Personnel Costs	<u>370,409</u>	<u>370,409</u>	<u>81,032</u>	<u>153,024</u>	<u>234,056</u>	<u>604,465</u>	<u>586,374</u>
Operating Expenses:							
Veterinary Expenses	30,877	30,877	-	-	-	30,877	36,546
Animal Sanctuary	500	500	-	-	-	500	5,000
Animal Welfare	60,268	60,268	-	-	-	60,268	65,795
Appeal Expenses	9,265	9,265	-	-	-	9,265	-
Food, Medical and Other Supplies	46,610	46,610	-	-	-	46,610	49,447
Food Pantry - Food and Supplies	56,401	56,401	-	-	-	56,401	37,437
Humane Education	24,692	24,692	-	-	-	24,692	17,150
In-Kind Expenses	586	586	-	-	-	586	-
Insurance	15,689	15,689	1,913	1,531	3,444	19,133	18,773
Interest Expense	-	-	3,920	-	3,920	3,920	4,236
Advertising and Public Relations	1,802	1,802	220	176	396	2,198	3,507
Postage and Shipping	2,336	2,336	285	228	513	2,849	3,522
Printing and Publications	4,243	4,243	517	414	931	5,174	11,177
Repairs and Maintenance	31,517	31,517	3,844	3,075	6,919	38,436	29,440
Telephone and Internet	3,907	3,907	829	1,601	2,430	6,337	5,693
Utilities	24,482	24,482	2,986	2,389	5,375	29,857	25,406
Vehicle Expense	2,821	2,821	-	-	-	2,821	88
Education and Training	1,950	1,950	-	-	-	1,950	139
Professional Fees	-	-	28,978	-	28,978	28,978	24,151
Payroll Service Fees	-	-	4,151	-	4,151	4,151	4,720
Office Expenses	5,626	5,626	686	549	1,235	6,861	7,478
Licenses, Subscriptions and Dues	73	73	73	10,805	10,878	10,951	7,975
Miscellaneous	10,245	10,245	5,709	4,955	10,664	20,909	15,244
Total Operating Expenses	<u>333,890</u>	<u>333,890</u>	<u>54,111</u>	<u>25,723</u>	<u>79,834</u>	<u>413,724</u>	<u>372,924</u>
Depreciation	<u>75,363</u>	<u>75,363</u>	<u>9,191</u>	<u>7,353</u>	<u>16,544</u>	<u>91,907</u>	<u>96,804</u>
Total Functional Expenses	<u>\$ 779,662</u>	<u>\$ 779,662</u>	<u>\$ 144,334</u>	<u>\$ 186,100</u>	<u>\$ 330,434</u>	<u>\$ 1,110,096</u>	<u>\$ 1,056,102</u>

See independent auditors' report and accompanying notes to financial statements.

ANIMAL RESCUE LEAGUE OF SOUTHERN RHODE ISLAND
d/b/a ANIMAL RESCUE RHODE ISLAND
Statement of Cash Flows
Year Ended December 31, 2022
(with Comparative Totals for the Year Ended December 31, 2021)

	<u>2022</u>	<u>2021</u>
Cash Flows from Operating Activities:		
Increase (Decrease) in Net Assets	\$ 366,829	\$ (232,182)
Adjustments to Reconcile Change in Net Assets to		
Net Cash Provided by (Used in) Operating Activities:		
CARES Act Program Loan Forgiveness	-	(92,400)
Depreciation	91,907	96,804
Net Realized Gains on Investments	(3,642)	(8,227)
Net Unrealized Losses (Gains) on Investments	141,610	(25,115)
Losses (Gains) on Disposal of Property and Equipment	2,492	(2,132)
Contributions Received for Long-Term Purposes	-	(31,274)
Changes In:		
Unconditional Promises to Give	(182,659)	(14,330)
Insurance Claim Receivable	(11,472)	-
Prepaid Expenses and Other Assets	4,651	(981)
Accounts Payable	9,080	(7,976)
Accrued Expenses	(3,820)	12,842
Accrued Interest	(1,948)	(251)
Refundable Deposits	3,038	4,532
Refundable CARES Act Employee Retention Credit Funding	(18,316)	18,316
Total Adjustments	<u>30,921</u>	<u>(50,192)</u>
Net Cash Provided by (Used in) Operating Activities	<u>397,750</u>	<u>(282,374)</u>
Cash Flows from Investing Activities:		
Proceeds from Sale of Investments	93,895	398,140
Purchase of Investments	(120,248)	(176,784)
Proceeds from Sale of Property and Equipment	-	2,132
Payments for Purchases of Property and Equipment	<u>(54,524)</u>	<u>(4,400)</u>
Net Cash Provided by (Used in) Investing Activities	<u>(80,877)</u>	<u>219,088</u>
Cash Flows from Financing Activities:		
Proceeds from CARES Act Program Loans	-	92,400
Repayments of Long-Term Debt	(2,465)	-
Contributions Received for Long-Term Purposes	<u>-</u>	<u>31,274</u>
Net Cash Provided by (Used in) Financing Activities	<u>(2,465)</u>	<u>123,674</u>
Net Increase in Cash and Cash Equivalents	314,408	60,388
Cash and Cash Equivalents, Beginning of Year	<u>118,443</u>	<u>58,055</u>
Cash and Cash Equivalents, End of Year	<u>\$ 432,851</u>	<u>\$ 118,443</u>
Supplemental Disclosure of Cash Flow Information:		
Cash Paid During the Year for Interest	<u>\$ 3,920</u>	<u>\$ 4,487</u>

See independent auditors' report and accompanying notes to financial statements.

ANIMAL RESCUE LEAGUE OF SOUTHERN RHODE ISLAND

d/b/a ANIMAL RESCUE RHODE ISLAND

Notes to Financial Statements

December 31, 2022

1. Nature of the Organization and Summary of Significant Accounting Policies:

Nature of Activities:

Animal Rescue League of Southern Rhode Island (the Organization), doing business as Animal Rescue Rhode Island, is a nonprofit corporation located in Peace Dale, Rhode Island. The Organization is dedicated to rescuing companion animals in need and to the humane welfare of homeless animals. Consistent with this mission, the Organization rescues abandoned, abused, and surrendered animals without geographic limitation. It goes to any length to nurture and revitalize the animals in its care in order for them to become successfully adopted pets in loving homes. The Organization makes a steadfast pledge that no animal is ever euthanized because of time, space, breed, or humanely treatable condition. The extended mission of Animal Rescue Rhode Island includes providing humane education classes for children, adult education, volunteer opportunities, and a community pet pantry to assist pet owners experiencing financial challenges.

In 2022, the Organization's pet pantry supplies operations were greatly expanded whereby inventory, stocked primarily by donations (food and supplies), may be made available for distribution on a monthly basis as needed by recipients. This pet pantry is run primarily by volunteers.

Summary of Significant Accounting Policies:

Recently Adopted Accounting Pronouncement

In September 2020, the FASB issued ASU 2020-7, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which should be applied on a retrospective basis, and is effective for annual periods beginning after June 15, 2021. The standard requires the presentation of contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash and other financial assets, and disclosure of contributed nonfinancial assets by category that depicts the type of contributed nonfinancial assets, for each category, qualitative information about whether these contributions were either monetized or utilized during the reporting period with a description of the programs or other activities in which those assets were used, a description of the valuation techniques used, and other matters. This standard became effective for the Organization's year ending December 31, 2022.

The Organization prepares its financial statements in accordance with generally accepted accounting principles as promulgated in the United State of America (U.S. GAAP) for not-for-profit entities. The significant accounting and reporting policies used by the Organization are described subsequently to enhance the usefulness and understandability of the financial statements.

ANIMAL RESCUE LEAGUE OF SOUTHERN RHODE ISLAND

d/b/a ANIMAL RESCUE RHODE ISLAND

Notes to Financial Statements

December 31, 2022

**1. Nature of the Organization and Summary of Significant Accounting Policies:
(Continued)**

Summary of Significant Accounting Policies: (Continued)

A. Basis of Accounting:

The Organization prepares its financial statements using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

B. Use of Estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period and the reported amounts of assets and liabilities at the date of the financial statements. On an ongoing basis, the Organization's management evaluates the estimates and assumptions based on historical experience and various other factors and circumstances. The Organization's management believes that the estimates and assumptions are reasonable in the circumstances; however, actual results could differ from those estimates.

C. Net Assets:

The financial statements report net assets and changes in net assets in two classes that are based on the existence or absence of restrictions on the uses of funds that are placed by its donors, as follows:

Net Assets Without Donor Restrictions

Net assets without donor restrictions are the resources available to support operations. The only limits on the use of these assets are the broad limits resulting from the nature of the Organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

The Organization's Board-designated portion of net assets without donor restrictions represents funds included in the investments for an operational reserve.

ANIMAL RESCUE LEAGUE OF SOUTHERN RHODE ISLAND

d/b/a ANIMAL RESCUE RHODE ISLAND

Notes to Financial Statements

December 31, 2022

**1. Nature of the Organization and Summary of Significant Accounting Policies:
(Continued)**

Summary of Significant Accounting Policies: (Continued)

Net Assets With Donor Restrictions

Net assets with donor restrictions are resources that are restricted by a donor for use for a particular purpose or in a particular future period. Some donor-imposed restrictions are temporary in nature, and the restrictions will expire when the resources are used in accordance with the donor's instructions or when the stipulated time has passed. Other donor-imposed restrictions may be perpetual in nature; the Organization must continue to use the resources in accordance with the donor's instructions.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions. Net assets restricted for acquisition of property and equipment, if applicable (or less commonly, the contribution of those assets directly) are reported as net assets with donor restrictions until the specified asset is placed in service by the Organization, unless the donor provides more specific directions about the period of its use.

D. Classification of Transactions:

All revenues and net gains are reported as increases in net assets without donor restrictions in the statement of activities unless the donor specified the use of the related resources for a particular purpose or use in a future period. All expenses and net losses other than losses on endowment investments are reported as decreases in net assets without donor restrictions. Net gains on endowment investments increase net assets with donor restrictions, and net losses on endowment investments reduce that net asset class.

E. Cash and Cash Equivalents, and Monetary Risk:

Cash and cash equivalents include all cash balances and short-term investments with original maturities of less than three months, except for those assets designated for long-term investment.

The Organization maintains its cash in bank deposit accounts that, at times, may exceed federally insured limits. At December 31, 2022, approximately \$376,500 of cash held with one financial institution was in excess of the \$250,000 federally insured limits. The Organization has not experienced any losses in such accounts and management believes it is not exposed to any significant risk on cash deposits.

ANIMAL RESCUE LEAGUE OF SOUTHERN RHODE ISLAND

d/b/a ANIMAL RESCUE RHODE ISLAND

Notes to Financial Statements

December 31, 2022

**1. Nature of the Organization and Summary of Significant Accounting Policies:
(Continued)**

Summary of Significant Accounting Policies: (Continued)

F. Conditional Contributions:

Conditional contributions are recorded when substantially all the conditions are met and the contributions become unconditional.

G. Contributed Assets:

Contributions of securities and other assets are recorded at fair values on the dates of the contributions. The Organization uses sale values of donated auction items for its fundraising events as estimates to approximate the fair values of the items sold. For pet pantry supplies inventory, the Organization uses estimates based on average costs determined by review of retail costs for similar items.

H. Contributed Services:

Contributions of services are recognized at fair value if the services received create or enhance non-financial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. In addition, many individuals volunteer their time and perform a variety of tasks that assist the Organization in accomplishing its purposes, but those services do not meet the criteria for recognition as contributed services.

I. Unconditional Promises to Give:

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Those that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. Discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. There were no discounts recorded since management believes any discount is not significant given the current low interest rates.

ANIMAL RESCUE LEAGUE OF SOUTHERN RHODE ISLAND

d/b/a ANIMAL RESCUE RHODE ISLAND

Notes to Financial Statements

December 31, 2022

1. Nature of the Organization and Summary of Significant Accounting Policies: (Continued)

Summary of Significant Accounting Policies: (Continued)

K. Property and Equipment:

Property and equipment are reported in the statement of financial position at cost, if purchased, and at fair value at the date of donation, if donated. Acquisitions of property and equipment of \$2,500 or greater and with useful lives of greater than one year are capitalized and are depreciated using the straight-line method over estimated useful lives of the assets, as follows:

Building and Improvements	20 – 40 years
Land Improvements	10 – 20 years
Shelter Equipment and Furniture	7 – 20 years
Furniture and Fixtures	40 years
Vehicle	5 years

Property and equipment are reviewed for impairment when a significant change in the asset's use or another indicator of possible impairment is present. No impairment losses were recognized in the financial statements of the current period.

L. Investments:

Investments in marketable securities with readily determinable fair values are stated at fair value with changes in unrealized appreciation or depreciation recorded in the statement of activities. Investment income and gains or losses on investments are reported in the statement of activities as increases or decreases in net assets without donor restrictions unless their use is donor restricted by explicit donor stipulations or by law.

M. Revenue Recognition:

Grants and Contributions

The Organization recognizes grants and contributions in the year in which the grant or contribution is made. Contributions are recorded either as without donor restrictions or with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Restricted grants and contributions are classified as net assets without donor restrictions if the restrictions are satisfied in the same reporting period in which the contributions are received.

ANIMAL RESCUE LEAGUE OF SOUTHERN RHODE ISLAND

d/b/a ANIMAL RESCUE RHODE ISLAND

Notes to Financial Statements

December 31, 2022

1. Nature of the Organization and Summary of Significant Accounting Policies: (Continued)

Summary of Significant Accounting Policies: (Continued)

N. Expense Recognition and Allocation:

The cost of providing the Organization's programs and other activities is summarized on a functional basis in the statement of activities and the statement of functional expenses. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions benefited using a reasonable allocation method that is consistently applied, as follows:

- Salaries and wages, benefits, and payroll taxes are allocated based on activity reports or estimates prepared by key personnel.
- Utilities, repairs and maintenance, and depreciation expenses are allocated on a square foot basis dependent on the programs and supporting activities occupying the space.
- Other various costs are directly charged to the respective functions using specific identification.

When programs are added or service efforts change, the bases on which costs are allocated are evaluated.

Management and general expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of the Organization.

Fundraising costs are expensed as incurred, even though they may result in contributions received in future years. Additionally, advertising and public relations costs are expensed as incurred.

O. Income Taxes:

The Internal Revenue Service has determined the Organization is generally exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code and has classified the Organization as one that is not a private foundation.

The Organization evaluates all significant tax positions as required by accounting principles generally accepted in the United States. As of December 31, 2022, the Organization does not believe it has taken any tax positions that would require the recognition of a tax liability or any unrealized tax benefit that would either increase or decrease within the next twelve months. Tax years that are open for examination by taxing authorities are generally the last three tax year-ends after the filing of the returns.

ANIMAL RESCUE LEAGUE OF SOUTHERN RHODE ISLAND

d/b/a ANIMAL RESCUE RHODE ISLAND

Notes to Financial Statements

December 31, 2022

1. Nature of the Organization and Summary of Significant Accounting Policies: (Continued)

Summary of Significant Accounting Policies: (Continued)

P. Summarized Comparative Financial Information:

The accompanying financial statements include certain prior year comparative information without accompanying note disclosure. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America due to lack of comparative note disclosures. Accordingly, such information should be read in conjunction with the Organization's financial statements and related notes to the financial statements for the year ended December 31, 2021, from which the information was derived.

2. Liquidity and Availability:

As of December 31, 2022, the following table shows the total financial assets held by the Organization and the amounts of those financial assets that could be made available within one year of the statement of financial position date to meet general expenditures (i.e., without donor or other restrictions limiting their use within one year):

Financial Assets at Year-End:	
Cash and Cash Equivalents	\$432,851
Unconditional Promises to Give, Net	313,500
Insurance Claim Receivable	11,472
Investments	830,149
Total Financial Assets at Year-End	<u>\$1,587,972</u>
Less Financial Assets Held to Meet Donor-Imposed Restrictions:	
Purpose-Restricted Net Assets	122,014
Perpetual Endowments and Accumulated Earnings	186,565
Less Financial Assets Not Available Within One Year:	
Board Designated Operational Reserve	<u>60,000</u>
Amount Available for General Expenditures Within One Year	<u>\$1,219,393</u>

The above table reflects donor-restricted and board-designated funds as unavailable because it is the Board's intention to invest those resources for the long-term support of the Organization. To help manage unanticipated liquidity needs, the Organization has an operating reserve of \$60,000. Although the Organization does not intend to spend from its operating reserve, through Board approval, the operating reserve can be made available, if necessary.

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3. Unconditional Promises to Give:

Unconditional promises to give consist of the following at December 31, 2022:

Receivable in Less Than One Year	\$306,500
Receivable in Greater Than One Year	<u>7,000</u>
	<u>\$313,500</u>

At December 31, 2022, unconditional promises to give includes a \$300,000 receivable from a bequest whereby the distribution is expected to be received in 2023.

4. Property and Equipment, Net:

Property and equipment, net consists of the following at December 31, 2022:

Building and Improvements	\$1,853,000
Land	11,063
Land Improvements	319,876
Shelter Equipment and Furniture	139,408
Furniture and Fixtures	36,513
Vehicle	<u>28,790</u>
Total Property and Equipment	2,388,650
Less: Accumulated Depreciation	<u>679,863</u>
Property and Equipment, Net	<u>\$1,708,787</u>

Depreciation expense charged to operations was \$91,907 for the year ended December 31, 2022.

5. Fair Value Measurements:

The Organization reports fair value measures of its assets and liabilities using a three-level hierarchy that prioritizes the inputs used to measure fair value. This hierarchy, established by GAAP, requires that entities maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The asset or liability's measurement within the fair value hierarchy is based on the lowest level of input that is significant to the measurement. The three levels of inputs used to measure fair value are as follows:

Level 1 - Quoted prices for identical assets or liabilities in active markets to which the Organization has access at the measurement date.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

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5. Fair Value Measurements: (Continued)

Level 3 - Unobservable inputs for the asset or liability. Unobservable inputs are used to measure the fair value if observable inputs are not available and rely on management's assumptions that are developed based on the best information available in the circumstances, which may include the Organization's own data.

When available, the Organization measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. However, Level 1 inputs are not available for certain of the assets and liabilities that the Organization is required to measure at fair value (for example, unconditional promises to give and in-kind contributions, if applicable).

The primary uses of fair value measures in the Organization's financial statements are:

- initial measurement of noncash gifts, including gifts of investment assets and unconditional promises to give (if applicable)
- recurring measurement of investments

6. Investments:

The fair values of the investment securities, all classified as Level 1 inputs, at December 31, 2022 consist of:

Money Market Funds	\$ <u>51,562</u>
Mutual Funds:	
Income Funds	113,882
Bond Funds	261,649
Opportunities Fund	43,823
Income Builder Fund	64,418
Weighted Fund	65,938
International Fund	65,075
Value Advantage Fund	84,406
Growth Advantage Fund	<u>79,396</u>
	<u>778,587</u>
Total Investments	\$ <u>830,149</u>

Interest and investment income, net, on the statement of activities includes \$38 of interest earned on money market funds classified as cash and cash equivalents at December 31, 2022.

Of the total investments listed above, 29.56% and 10.17% are invested in 2 different mutual funds.

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7. Accounting for Endowment Funds:

The Organization's endowment consists of two funds established by donors (referred to as "donor-restricted endowment funds").

The State of Rhode Island enacted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) effective June, 2009. UPMIFA establishes law for the management and investment of donor-restricted endowment funds. Donor-restricted endowment funds are subject to a time restriction imposed by UPMIFA until amounts are appropriated for expenditure by the Organization.

In addition, most donor restricted endowment funds are subject to restrictions on the use of the appropriated amounts. Note 11 describes the purposes for which the donor-restricted endowments may be used. As a result, donor-restricted endowment funds are classified as net assets with donor restrictions.

UPMIFA permits the Organization to appropriate for expenditure or accumulate so much of a donor-restricted endowment fund as it determines is prudent for the uses, benefits, purposes, and duration for which the endowment fund is established. In making its determination to appropriate or accumulate, the Organization must act in good faith, with the care that an ordinarily prudent person in a like position would exercise under similar circumstances, and it must consider, if relevant, the following factors:

- (1) The duration and preservation of the endowment funds
- (2) The purposes of the Organization and the donor-restricted endowment funds
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other available resources of the Organization
- (7) The investment policies of the Organization

Endowment Net Asset Composition by Type of Fund as of December 31, 2022

	<u>With Donor Restrictions</u>
Donor-Restricted Endowment Funds:	
Original Donor-Restricted Gift Amounts	
Required to be Maintained in Perpetuity	\$176,821
Accumulated Investment Income	<u>9,744</u>
 Total Endowment Funds	 <u>\$186,565</u>

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Notes to Financial Statements

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7. Accounting for Endowment Funds: (Continued)

Investment and Spending Policies

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by the endowments, while seeking to maintain the purchasing power of the endowment assets. Endowment assets include the assets that are donor-restricted that the Organization must hold for either a donor-specified time or purpose. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that match or exceed the results of the Standard & Poor's 500 index and other comparable indices as applicable, while assuming a moderate level of investment risk.

Under the Organization's investment policy, dividends and interest are distributed monthly.

The Board of Directors of the Organization has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds unless there are explicit donor stipulations to the contrary. The original gift is defined by the Organization as (a) the original value of gifts donated to all donor-restricted endowments, (b) the original value of any subsequent gifts to donor-restricted endowments, and (c) the original value of accumulations to donor-restricted endowments made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

Changes in Endowment Net Assets for the Fiscal Year Ended December 31, 2022

	<u>With Donor Restrictions</u>
Endowment Net Assets, Beginning of Year	\$213,377
Investment Income, Net	(17,917)
Appropriation of Endowment Assets for Expenditure	<u>(8,895)</u>
Endowment Net Assets, End of Year	<u>\$186,565</u>

Funds with Deficiencies

From time to time, the fair value of the assets associated with individual donor-restricted endowment funds may fall below the level that the donors or UPMIFA requires the Organization to retain as a fund of perpetual duration. There were no such deficiencies at December 31, 2022.

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8. Note Payable and Related Accrued Interest

On June 19, 2020, the Organization obtained an Economic Injury Disaster Loan (“EIDL”) from the Small Business Administration (“SBA”). This federal small business loan program supports small businesses’ recovery from the Coronavirus Pandemic disaster’s (Covid-19) economic impacts by providing accessible and borrower friendly capital. The fixed interest rate for a private nonprofit organization is 2.75%. Payments are deferred for the first two years (during which time interest will accrue), and payments of principal and interest are made over the remaining 28 years. There is no penalty for prepayment and in fiscal year 2021, the Organization paid \$4,487 towards the accrued interest. The SBA secures these EIDL loans by filing a blanket UCC-1 lien on organizations that borrow amounts greater than \$25,000.

Future principal payments are due as follows:

2023	\$	3,862
2024		3,969
2025		4,080
2026		4,193
2027		4,310
Thereafter		<u>127,021</u>
		147,435
Less Current Portion		<u>3,862</u>
Long-Term Portion		<u>\$143,573</u>

9. Special Events:

The Organization generally holds various special fundraising events annually to promote and further the Organization’s exempt purpose and raise contributions. During the year ended December 31, 2022, four fundraising events were held, including one auction. Revenue from the events exceeded expenses as follows:

Gross Special Event Revenue and Support	\$291,726
Less: Direct Benefit to Donors Expenses	<u>(60,807)</u>
Special Events, Net	<u>\$230,919</u>

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10. Contributions of Nonfinancial Assets and Donated Services:

Contributions of nonfinancial assets and donated services consists of the following for the year ended December 31, 2022:

Nonfinancial Assets:

Pet Pantry Program Food	\$52,490
Program Supplies	<u>3,320</u>

Total Contributions of Nonfinancial Assets \$55,810

Donated Services:

Repairs and Installation of Program Equipment	\$ 451
Discounted Legal Services	<u>1,172</u>

Total Donated Services \$ 1,623

The value of the pet pantry supplies inventory was derived by researching a high and low cost on various vendor websites, taking an average, and using that average amount for each type of inventory item.

In addition to the above, donated items sold at the fundraising events at a sales price of \$63,797 were also received. The sales value of these donations is included in gross special event revenue and support on the statement of activities.

Other than items donated for sale at fundraising event auctions, it is the policy of the Organization to utilize (and not monetize) the donations of non-financial assets for program services and general operations, in accordance with donor restrictions.

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11. Net Assets With Donor Restrictions:

A summary of net assets with donor restrictions is as follows:

Subject to Expenditure for Specified Time or Purpose:	
Humane Education Programs	\$ 25,920
Bark & Ride Transport – 2023	30,000
Renovations/Kennel Projects	65,174
Vehicle Expenses	<u>920</u>
	<u>122,014</u>
Subject to Spending Policy and Appropriation:	
Medical Services to Animals	7,189
Support for General Operations	<u>2,555</u>
	<u>9,744</u>
Subject to Restriction in Perpetuity:	
Donor-Restricted for Medical Services to Animals	126,874
To Support General Operations	<u>49,947</u>
	<u>176,821</u>
 Total Net Assets With Donor Restrictions	 <u>\$ 308,579</u>

12. Net Assets Released from Restrictions:

Net assets were released from restrictions for the year ended December 31, 2022 as follows:

Medical Services and Supplies	\$ 9,392
Commercial Laundry Equipment	2,096
Sanitation Equipment	3,500
Humane Education Programs	24,692
Pet Pantry	1,500
Bark & Ride Transport	30,000
Vehicle Costs	31,488
General Operations	<u>2,503</u>
 Total Net Assets Released from Restriction	 <u>\$ 105,171</u>

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13. CARES Act Employee Retention Credits:

The CARES Act provides an employee retention credit (“CARES Employee Retention credit”), which is a refundable tax credit against certain employment taxes of up to \$5,000 per employee for eligible employers. The tax credit is equal to 50% of qualified wages paid to employees during a quarter, capped at \$10,000 of qualified wages per employee through December 31, 2020. Additional relief provisions were passed by the United States government, which extend and slightly expand the qualified wage caps on these credits through December 31, 2021.

Based on these additional provisions, the tax credit was equal to 70% of qualified wages paid to employees during a quarter, and the limit on qualified wages per employee was increased to \$10,000 of qualified wages per quarter. As of December 31, 2021, the Organization had received \$18,316 in excess of the \$51,224 recognized in the statement of activities for 2021. The Organization was not eligible for this excess funding, and the \$18,316 has been recognized as refundable CARES Act Employee Retention Credit funding on the statement of financial position.

14. Pension Plan:

Beginning in February 2008, the Organization began sponsoring a Simple IRA plan for all eligible employees, as defined in the Plan document as employees that were compensated at least \$5,000 during the prior two full years of employment. Effective January 1, 2019, the plan was amended to define eligible employees as those that were compensated at least \$5,000 during the prior one full year of employment. Eligible employees may elect to defer compensation up to the limits imposed by Internal Revenue Service regulations. The Organization matches the employee deferrals up to 3% of the annual compensation. The Organization’s contributions to this plan were \$5,231 for the year ended December 31, 2022.

15. Subsequent Events, Evaluation and Uncertainties:

In June 2021, the Organization entered into an agreement to begin architectural design and specification services for future renovations at various hourly rates, dependent upon the level of services provided. These services continued into 2022. In October 2022, the Organization entered into a contract at a cost of \$99,064 for the approved renovations.

The Organization has evaluated subsequent events through September 27, 2023, the date the financial statements were available to be issued. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required.