

**NORTH SHORE ANIMAL LEAGUE AMERICA, INC. AND
THE PET SAVERS FOUNDATION, INC.**



Consolidated Financial Statements

**(Together with Independent Auditors' Report
and Supplementary Information)**

For the Years Ended December 31, 2019 and 2018

M A R K S P A N E T H

ACCOUNTANTS & ADVISORS

**NORTH SHORE ANIMAL LEAGUE AMERICA, INC. AND
THE PET SAVERS FOUNDATION, INC.**

**CONSOLIDATED FINANCIAL STATEMENTS
(Together with Independent Auditors' Report
and Supplementary Information)**

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
North Shore Animal League America, Inc. and The Pet Savers Foundation, Inc.
Port Washington, New York

We have audited the accompanying consolidated financial statements of North Shore Animal League America, Inc. and The Pet Savers Foundation, Inc. (collectively, the "Organization"), which comprise the consolidated statements of financial position as of December 31, 2019 and 2018, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 Organization'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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of North Shore Animal League America, Inc. and The Pet Savers Foundation, Inc. as of December 31, 2019 and 2018, and the changes in their net assets and their cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements of the Organization taken as a whole. The supplemental consolidating information on pages 20 and 21 is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, changes in net assets and cash flows of the individual affiliates and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Marks Paneth LLP

New York, NY
June 29, 2020

NORTH SHORE ANIMAL LEAGUE AMERICA, INC. AND THE PET SAVERS FOUNDATION, INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2019 AND 2018

	2019	2018
ASSETS		
Cash and cash equivalents (Notes 2D, 4, and 11)	\$ 3,906,561	\$ 2,552,191
Restricted cash (Note 2E)	13,477,631	21,528,832
Total cash, cash equivalents and restricted cash	17,384,192	24,081,023
Bequests receivable (Note 2O)	129,376	205,249
Program service fees receivable, net	33,212	30,757
Contributions and other receivables (Note 2I)	1,695,815	1,199,120
Prepaid expenses and other assets	609,417	295,951
Inventory (Note 2F)	684,345	811,279
Investments (Notes 2G, 2H and 4)	11,314,746	8,611,403
Property and equipment, net (Notes 2K and 5)	26,288,419	16,954,830
TOTAL ASSETS	\$ 58,139,522	\$ 52,189,612
LIABILITIES		
Accounts payable and accrued expenses	\$ 4,442,315	\$ 4,946,922
Annuity payment liability (Note 2L)	629,647	675,771
Accrued pension benefit obligation (Note 6)	5,806,730	5,269,421
Line of credit (Note 10)	1,850,000	2,576,000
TOTAL LIABILITIES	12,728,692	13,468,114
COMMITMENTS AND CONTINGENCIES (Note 13)		
NET ASSETS (Notes 2C and 7)		
Net assets without donor restrictions		
Available for operations	4,479,897	1,017,160
Net investment in property and equipment	26,288,419	16,954,830
Total net assets without donor restrictions	30,768,316	17,971,990
Net assets with donor restrictions (Notes 7 and 12)	14,642,514	20,749,508
TOTAL NET ASSETS	45,410,830	38,721,498
TOTAL LIABILITIES AND NET ASSETS	\$ 58,139,522	\$ 52,189,612

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

NORTH SHORE ANIMAL LEAGUE AMERICA, INC. AND THE PET SAVERS FOUNDATION, INC.
CONSOLIDATED STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	Year Ended December 31, 2019			Year Ended December 31, 2018		
	Without Donor Restrictions	With Donor Restrictions	Total 2019	Total 2018	Without Donor Restrictions	With Donor Restrictions
SUPPORT, PROGRAM SERVICE REVENUE AND OTHER:						
Special events revenue (net of direct expenses of \$101,032 and \$98,872 in 2019 and 2018, respectively) (Note 2S)	\$ 60,224	\$ 993,952	\$ 1,054,176	\$ 743,238	\$ 119,340	\$ 623,898
Bequests (Note 2O)	7,319,832	-	7,319,832	5,773,841	5,773,841	-
Contributions (Note 2M)	23,338,174	4,116,124	27,454,298	24,079,036	21,837,880	2,241,156
In-kind contributions (Note 2N)	555,432	-	555,432	522,978	522,978	-
Total support revenue	31,273,662	5,110,076	36,383,738	31,119,093	28,254,039	2,865,054
Program service revenue (Note 2Q):						
Pet Rescue and Adoption	942,003	21,800	963,803	1,080,090	1,059,652	20,438
Humane Education	37,613	-	37,613	47,531	47,531	-
Spay/Neuter & Veterinary Care	7,144,791	-	7,144,791	7,061,280	7,061,280	-
Pet Savers Foundation	37,194	-	37,194	35,282	35,282	-
Total program service revenue	8,161,601	21,800	8,183,401	8,224,183	8,203,745	20,438
Dividends and interest (Note 4)	448,619	14,907	463,526	441,463	427,501	13,962
Pet store sales (net of cost of goods sold of \$105,697 and \$119,564 in 2019 and 2018, respectively)	71,439	-	71,439	78,385	78,385	-
List rental income	655,013	-	655,013	462,515	462,515	-
Other revenue	27,522	-	27,522	44,258	44,258	-
Net assets released from restrictions	11,436,645	(11,436,645)	-	-	5,834,851	(5,834,851)
Total other revenue	12,639,238	(11,421,738)	1,217,500	1,026,621	6,847,510	(5,820,889)
TOTAL SUPPORT, PROGRAM SERVICE REVENUE AND OTHER	52,074,501	(6,289,862)	45,784,639	40,369,897	43,305,294	(2,935,397)
OPERATING EXPENSES:						
Program Services:						
Pet Rescue and Adoption	13,572,407	-	13,572,407	12,964,686	12,964,686	-
Humane Education	5,051,745	-	5,051,745	4,872,582	4,872,582	-
Spay/Neuter and Vet Care	14,983,193	-	14,983,193	14,685,468	14,685,468	-
Pet Savers Foundation	232,637	-	232,637	387,026	387,026	-
Total program services	33,839,982	-	33,839,982	32,909,762	32,909,762	-
Supporting Services:						
Management and general	1,606,839	-	1,606,839	1,562,041	1,562,041	-
Fundraising	5,689,780	-	5,689,780	5,502,517	5,502,517	-
Total supporting services	7,296,619	-	7,296,619	7,064,558	7,064,558	-
TOTAL OPERATING EXPENSES	41,136,601	-	41,136,601	39,974,320	39,974,320	-
CHANGE IN NET ASSETS FROM OPERATIONS	10,937,900	(6,289,862)	4,648,038	395,577	3,330,974	(2,935,397)
OTHER CHANGES:						
Net realized and unrealized gain (loss) on investments, net of fees (Note 4)	2,342,771	182,868	2,525,639	(838,773)	(777,162)	(61,611)
Change in value of split-interest agreements (Note 2L)	(59,693)	-	(59,693)	(76,666)	(76,666)	-
Pension related changes other than net periodic pension costs (Note 6)	(424,652)	-	(424,652)	772,342	772,342	-
CHANGE IN NET ASSETS	12,796,326	(6,106,994)	6,689,332	252,480	3,249,488	(2,997,008)
Net assets, beginning of year	17,971,990	20,749,508	38,721,498	38,469,018	14,722,502	23,746,516
NET ASSETS - END OF YEAR	\$ 30,768,316	\$ 14,642,514	\$ 45,410,830	\$ 38,721,498	\$ 17,971,990	\$ 20,749,508

NORTH SHORE ANIMAL LEAGUE AMERICA, INC. AND THE PET SAVERS FOUNDATION, INC.
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019
(With Comparative Totals for 2018)

	For the Year Ended December 31, 2019									
	Program Services					Supporting Services				
	Pet Rescue and Adoption	Humane Education	Spay/Neuter and Vet Care	Pet Savers Foundation	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total 2019	Total 2018
Salaries	\$ 4,241,869	\$ 1,524,192	\$ 5,771,687	\$ -	\$ 11,537,748	\$ 508,352	\$ 1,191,856	\$ 1,700,208	\$ 13,237,956	\$ 12,782,186
Payroll taxes and employee benefits (Note 6)	1,861,543	679,064	2,536,315	-	5,076,922	238,283	529,915	768,198	5,845,120	5,619,260
Salaries and Related Costs	6,103,412	2,203,256	8,308,002	-	16,614,670	746,635	1,721,771	2,468,406	19,083,076	18,401,446
Grants to other organizations	8,500	8,500	-	-	17,000	-	-	-	17,000	15,000
Professional fees	129,330	98,068	179,497	203,496	610,391	156,933	195,979	352,912	963,303	1,104,011
Advertising and promotion (Note 2R)	304,208	106,406	176,096	-	586,710	-	109,613	109,613	696,323	578,022
Office expenses	300,754	124,200	349,455	1,093	775,502	186,117	204,298	390,415	1,165,917	1,057,878
Occupancy	133,845	55,069	112,880	-	301,794	89,659	89,659	179,318	481,112	423,076
Information technology	453,602	194,507	286,474	21,856	956,439	30,036	237,992	268,028	1,224,467	1,106,704
Travel	193,453	44,935	29,585	-	267,973	8,887	18,261	27,148	295,121	291,971
Conferences	3,082	2,288	1,269	-	6,639	-	3,465	3,465	10,104	8,242
Interest	-	-	-	-	-	44,759	-	44,759	44,759	91,393
Insurance	73,851	36,926	73,851	-	184,628	61,543	61,543	123,086	307,714	307,293
Direct response expenses	-	-	-	-	-	-	2,448,091	2,448,091	2,448,091	2,415,797
Program education materials	3,987,964	1,598,254	2,393,113	-	7,979,331	-	-	-	7,979,331	7,794,984
Animal rescue, adoption & medical (Note 2N)	1,455,512	371,821	2,658,485	-	4,485,818	7,636	13,478	21,114	4,506,932	4,838,076
Events and public relations	57,749	23,230	34,628	-	115,607	-	280,367	280,367	395,974	389,580
Depreciation (Note 5)	276,437	138,218	276,437	6,192	697,284	230,364	230,690	461,054	1,158,338	940,632
Bad debt expense	578	340	2,480	-	3,398	-	-	-	3,398	14,789
All other expenses	90,130	45,727	100,941	-	236,798	44,270	175,605	219,875	456,673	294,298
Subtotal	7,468,995	2,848,489	6,675,191	232,637	17,225,312	860,204	4,069,041	4,929,245	22,154,557	21,671,746
Total Costs	13,572,407	5,051,745	14,983,193	232,637	33,839,982	1,606,839	5,790,812	7,397,651	41,237,633	40,073,192
Less: Cost of direct benefit to donors	-	-	-	-	-	-	(101,032)	(101,032)	(101,032)	(98,872)
TOTAL EXPENSES	\$ 13,572,407	\$ 5,051,745	\$ 14,983,193	\$ 232,637	\$ 33,839,982	\$ 1,606,839	\$ 5,689,780	\$ 7,296,619	\$ 41,136,601	\$ 39,974,320

NORTH SHORE ANIMAL LEAGUE AMERICA, INC. AND THE PET SAVERS FOUNDATION, INC.
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018

	For the Year Ended December 31, 2018								
	Program Services					Supporting Services			
	Pet Rescue and Adoption	Humane Education	Spay/Neuter and Vet Care	Pet Savers Foundation	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total 2018
Salaries	\$ 3,932,544	\$ 1,480,936	\$ 5,664,089	\$ -	\$ 11,077,569	\$ 507,076	\$ 1,197,541	\$ 1,704,617	\$ 12,782,186
Payroll taxes and employee benefits (Note 6)	1,725,873	654,819	2,468,966	-	4,849,658	238,140	531,462	769,602	5,619,260
Salaries and Related Costs	5,658,417	2,135,755	8,133,055	-	15,927,227	745,216	1,729,003	2,474,219	18,401,446
Grants to other organizations	7,500	7,500	-	-	15,000	-	-	-	15,000
Professional fees	113,534	88,384	189,403	356,788	748,109	149,456	206,446	355,902	1,104,011
Advertising and promotion (Note 2R)	240,987	90,580	150,292	-	481,859	-	96,163	96,163	578,022
Office expenses	262,775	118,433	305,344	3,846	690,398	174,816	192,664	367,480	1,057,878
Occupancy	116,572	47,548	100,464	-	264,584	79,246	79,246	158,492	423,076
Information technology	404,752	174,209	257,327	22,222	858,510	33,615	214,579	248,194	1,106,704
Travel	200,535	41,347	31,540	-	273,422	148	18,401	18,549	291,971
Conferences	1,607	2,372	1,048	-	5,027	-	3,215	3,215	8,242
Interest	-	-	-	-	-	91,393	-	91,393	91,393
Insurance	73,750	36,875	73,750	-	184,375	61,459	61,459	122,918	307,293
Direct response expenses	-	-	-	-	-	-	2,415,797	2,415,797	2,415,797
Program education materials	3,888,812	1,571,717	2,334,455	-	7,794,984	-	-	-	7,794,984
Animal rescue, adoption & medical (Note 2N)	1,655,843	392,219	2,772,167	-	4,820,229	6,906	10,941	17,847	4,838,076
Events and public relations	58,420	24,214	34,159	-	116,793	-	272,787	272,787	389,580
Depreciation (Note 5)	224,698	112,349	224,698	4,170	565,915	187,248	187,469	374,717	940,632
Bad debt expense	2,514	1,479	10,796	-	14,789	-	-	-	14,789
All other expenses	53,970	27,601	66,970	-	148,541	32,538	113,219	145,757	294,298
Subtotal	7,306,269	2,736,827	6,552,413	387,026	16,982,535	816,825	3,872,386	4,689,211	21,671,746
Total Costs	12,964,686	4,872,582	14,685,468	387,026	32,909,762	1,562,041	5,601,389	7,163,430	40,073,192
Less: Cost of direct benefit to donors	-	-	-	-	-	-	(98,872)	(98,872)	(98,872)
TOTAL EXPENSES	\$ 12,964,686	\$ 4,872,582	\$ 14,685,468	\$ 387,026	\$ 32,909,762	\$ 1,562,041	\$ 5,502,517	\$ 7,064,558	\$ 39,974,320

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

NORTH SHORE ANIMAL LEAGUE AMERICA, INC. AND THE PET SAVERS FOUNDATION, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 6,689,332	\$ 252,480
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	1,158,338	940,632
Change in value of split interest agreements	59,693	76,666
Bad debt expense	3,398	14,789
Net realized and unrealized (gain) loss on investments	(2,654,470)	718,362
Subtotal	5,256,291	2,002,929
Changes in operating assets and liabilities:		
Decrease (increase) in assets:		
Bequests receivable	75,873	266,637
Program service fees receivable	(5,853)	(6,587)
Contributions and other receivables	(496,695)	273,651
Inventory	126,934	(84,772)
Prepaid expenses and other assets	(313,466)	52,833
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(504,607)	83,055
Annuity payment liability	(105,817)	(102,680)
Accrued pension benefit obligation	537,309	(572,182)
Net Cash Provided by Operating Activities	4,569,969	1,912,884
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sales of investments	2,788,333	1,551,493
Purchases of investments	(2,837,206)	(1,495,676)
Purchases of property and equipment	(10,491,927)	(4,120,264)
Net Cash Used in Investing Activities	(10,540,800)	(4,064,447)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from line of credit	1,850,000	1,200,000
Principal repayments of line of credit	(2,576,000)	(1,123,825)
Net Cash (Used in) Provided by Financing Activities	(726,000)	76,175
NET DECREASE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	(6,696,831)	(2,075,388)
Cash, cash equivalents and restricted cash - beginning of year	24,081,023	26,156,411
CASH, CASH EQUIVALENTS AND RESTRICTED CASH - END OF YEAR	\$ 17,384,192	\$ 24,081,023
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the year for interest	\$ 44,759	\$ 91,393

**NORTH SHORE ANIMAL LEAGUE AMERICA, INC. AND
THE PET SAVERS FOUNDATION, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 1 – DESCRIPTION OF ORGANIZATION

The consolidated financial statements have been prepared by consolidating North Shore Animal League America, Inc. (the “League”) and its affiliate, The Pet Savers Foundation, Inc. (the “Foundation”) (collectively, the “Organization”). The League and the Foundation are exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

The League was founded to provide, promote and advance the protection, care and humane treatment of animals. The League rescues and cares for orphaned dogs and cats locally and nationally by providing food, shelter and medical care. The League arranges for adoptions, spaying and neutering and conducts ongoing humane education programs.

In accordance with a policy adopted by the Board of Directors, the League solicits contributions through direct mail, specifically designated to support the mission of the League. In addition, the League receives donations and bequests to fund its operations.

The Foundation was founded to promote and advance the humane treatment of animals, primarily dogs and cats, to foster kindness to animals and to promote their welfare through humane education programs.

The Foundation is an innovator in the field of companion animal welfare by creating mission-driven, groundbreaking programs that are piloted and then adopted by shelters nationwide.

The Foundation oversees the American Mutt-i-grees® Movement, a national program that raises awareness of the plight of shelter animals, elevates the status of mixed-breed dogs and increases shelter adoptions to reduce euthanasia. As part of this initiative, the Foundation is working in collaboration with Yale University’s School of the 21st Century to develop an innovative curriculum to educate children to build social and emotional skills and address critical behavioral issues while communicating the value of shelter animals (see Note 14).

The Foundation also operates a co-operative buying program that enables animal shelters to provide needed services at a lower price.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. ***Basis of Accounting and Use of Estimates*** - The Organization’s consolidated financial statements are prepared on the accrual basis of accounting. The Organization adheres to accounting principles generally accepted in the United States of America (“U.S. GAAP”). The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

B. ***Principles of Consolidation*** - The Organization’s accompanying consolidated financial statements include the financial statements of the League and the Foundation. The League has consolidated the Foundation pursuant to U.S. GAAP due to its financial interest and control over it. All material intercompany transactions and balances have been eliminated in the consolidation.

C. ***Net Assets*** - U.S. GAAP requires nonprofits to maintain their net assets under the following classes:

Without donor restrictions – This represents net assets not subject to donor-imposed stipulations and that have no time restrictions. Such resources are available for support of the Organization’s operations over which the Board of Directors has discretionary control.

With donor restrictions – Net assets subject to stipulations, including stipulations that will be met either by actions of the Organization or the passage of time, stipulations that they be maintained permanently by the Organization, and unappropriated endowment earnings.

**NORTH SHORE ANIMAL LEAGUE AMERICA, INC. AND
THE PET SAVERS FOUNDATION, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- D. **Cash and Cash Equivalents** - The Organization considers highly liquid investments purchased with maturities of three months or less to be cash and cash equivalents.
- E. **Restricted Cash** - The Organization holds restricted cash accounts for the purpose of fulfilling restrictions set by donors. Such amounts are reflected as restricted cash in the consolidated statements of financial position.
- F. **Inventory** - Inventory consists of food, drugs and other pet supplies. Inventory is valued at the lower of cost or net realizable value.
- G. **Investments** - Investments are carried at fair value. The value assigned to investments received by gift is the fair value at the date of donation. Changes in the fair value of investments are recorded as unrealized gains or losses and are reflected in the consolidated statements of activities.
- H. **Fair Value Measurements** - Fair value measurements are based on 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 order to increase consistency and comparability in fair value measurements, a fair value hierarchy prioritizes observable and unobservable inputs used to measure fair value into three levels, as reported in Note 4.
- I. **Contributions and Other Receivables** - Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met. Contributions, including unconditional promises to give, are recognized in the period received. Interest is not charged on outstanding receivables. All contributions and other receivables as of December 31, 2019 are due within one year.
- J. **Allowance for Doubtful Accounts** - The Organization determines whether an allowance for uncollectibles should be provided for accounts receivable. Such estimates are based on management's assessment of the aged basis of its accounts, current economic conditions, subsequent receipts and historical information. Accounts receivable are written off against the allowance for doubtful accounts when all reasonable collection efforts have been exhausted. As of December 31, 2019 and 2018, there was an allowance for doubtful accounts recorded of \$32,478 and \$46,136, respectively.
- K. **Property and Equipment** - Leasehold improvements and equipment are recorded at cost less accumulated amortization and depreciation. Depreciation is provided on the straight-line method over the estimated useful lives of the assets. Leasehold improvements are amortized over the term of the lease or useful lives of the assets, whichever is shorter. The Organization's policy is to capitalize purchases greater than \$5,000 with an estimated useful life of at least three years.
- L. **Split-Interest Agreements** - The League has entered into charitable gift annuities with donors. These are agreements between a donor and the League in which the donor contributes an asset in exchange for an obligation for the League to pay a fixed amount to the donor or other designated beneficiaries for a specific period of time. At the time these agreements are entered into, a liability is recognized for the present value of the annuity obligation, the assets are recorded at fair market value and a contribution is recognized for the difference. The liability is re-calculated annually, and the adjustment is recorded as changes in value of split-interest agreements in the other changes section of the consolidated statements of activities. The split-interest agreements had a loss of \$59,693 and \$76,666, respectively, for the years ended December 31, 2019 and 2018. The discount rate and actuarial assumptions used in calculating the annuity obligation are those provided in Internal Revenue Service guidelines and actuarial tables. The League invests, manages, and administers the annuities. The portfolio of assets meets all requirements concerning permissible investments and mandated reserves as required by law.

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NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- M. **Contributions** - Unconditional contributions, including promises to give cash and other assets, are reported at fair value at the date the contribution is received. The gifts are reported as either without donor restrictions or with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions.
- N. **Contributed Goods and Services** - Contributed goods and services meeting criteria established under U.S. GAAP are reflected as both contribution revenue and expenses in the accompanying consolidated statements of activities at their estimated fair value at the date of receipt. The contributions of services are recognized if the services received (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. The Organization recorded contributed goods of \$555,432 and \$522,978 for the years ended December 31, 2019 and 2018, respectively.
- Donated securities acquired by gift or bequest are liquidated as soon as it is practical to do so. In addition, the Organization receives services from a large number of volunteers who donate their time to the Organization's programs, special fundraising events and management. No amounts have been recorded for these types of donated services, as they do not meet the criteria for recognition.
- O. **Bequests** - Bequests are recorded as revenues at fair value at the time an unassailable right to the gift has been established and the proceeds are measurable.
- P. **Functional Allocation of Expenses** - The consolidated financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Expenses that are allocated include occupancy, insurance and depreciation, which are allocated on a square footage basis, as well as payroll, benefits, payroll taxes, professional services, information technology, interest, and other, which are allocated on the basis of estimates of time and effort incurred by the League's staff members.
- Q. **Service Fees** - Revenues from service fees are recognized in the accounting period in which the services are provided.
- R. **Advertising** - Advertising fees are expensed as incurred.
- S. **Direct Costs** - The direct costs of special events include expenses for the benefit of the donor. For example, meals, facilities and rental are considered direct costs of special events.
- T. **Joint Cost Allocations** - The League conducted direct mail campaigns that included requests for contributions as well as program components. The joint costs are allocated between program and fundraising.
- U. **Reclassifications** - Certain line items in the December 31, 2018 consolidated financial statements have been reclassified to conform to the December 31, 2019 presentation. Such reclassifications had no effect on net assets previously reported.

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NOTE 3 – LIQUIDITY AND AVAILABILITY

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The Organization has various sources of liquidity at its disposal, including cash and cash equivalents and marketable debt and equity securities.

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the consolidated statement of financial position date, comprise the following:

Cash and cash equivalents	\$ 3,906,561
Program service fees receivable, net	33,212
Bequests receivable	129,376
Contributions and other receivables	1,695,815
Investments	<u>11,314,746</u>
	17,079,710
Less:	
Investments held for charitable gift annuities	(1,814,946)
Investments held for endowment	<u>(820,751)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 14,444,013</u>

In addition, the Organization has a maximum line of credit totaling \$3,750,000 with a financial institution, of which \$1,900,000 can be drawn upon if needed (see Note 10). The Organization's endowment funds consist of donor-restricted endowments. Income from donor-restricted endowments is restricted for specific purposes, except for the amounts available for general use. Donor-restricted endowment funds are not available for general expenditure.

NOTE 4 – INVESTMENTS AND FAIR VALUE MEASUREMENTS

Investments consist of the following as of December 31:

	<u>2019</u>	<u>2018</u>
Equities	\$ 10,817,684	\$ 8,198,978
U.S. Treasuries	-	20,120
Corporate Bonds	<u>497,062</u>	<u>392,305</u>
	<u>\$ 11,314,746</u>	<u>\$ 8,611,403</u>

Investments are subject to market volatility that could substantially change their fair values in the near term.

Investment income (loss) is included in the consolidated statements of activities and consists of the following for the years ended December 31:

	<u>2019</u>	<u>2018</u>
Dividends and interest	\$ 463,526	\$ 441,463
Realized gain (loss)	223,314	(11,577)
Unrealized gain (loss)	2,431,156	(706,785)
Less: Investment fees	<u>(128,831)</u>	<u>(120,411)</u>
	<u>\$ 2,989,165</u>	<u>\$ (397,310)</u>

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NOTE 4 – INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

Accounting Standards Codification 820, *Fair Value Measurements and Disclosures*, (“ASC 820”) defines fair value as 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. ASC 820 establishes a framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). In determining fair value, the Organization utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible in its assessment of fair value. These inputs also form the basis of the fair value hierarchy which is used to categorize a fair value measurement into one of three levels as follows:

- Level 1 - Valuations based on quoted prices (unadjusted) in an active market that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.
- Level 2 - Valuations based on observable inputs other than level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in inactive markets for identical assets or liabilities; or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data.
- Level 3 - Valuations based on unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to level 3 inputs.

Investments in equities and U.S. Treasuries are valued using market prices in active markets (Level 1). Level 1 instrument valuations are obtained from real-time quotes for transactions in active exchange markets involving identical assets. Investments in corporate obligations are valued using quoted prices in inactive markets (Level 2). Level 2 instrument valuations are obtained from similar assets or model derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data.

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the end of the reporting period. For the years ended December 31, 2019 and 2018, there were no transfers in or out of Levels 1 or 2.

Financial assets carried at fair value at December 31, 2019 are classified as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
ASSETS CARRIED AT FAIR VALUE:			
Investments			
Equities	\$10,817,684	\$ -	\$10,817,684
Corporate bonds	-	497,062	497,062
	10,817,684	497,062	11,314,746
Cash and cash equivalents			
Money market funds	409,140	-	409,140
TOTAL ASSETS CARRIED AT FAIR VALUE:	\$11,226,824	\$ 497,062	\$11,723,886

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NOTE 4 – INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

Financial assets carried at fair value at December 31, 2018 are classified as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
ASSETS CARRIED AT FAIR VALUE:			
Investments			
Equities	\$ 8,198,978	\$ -	\$ 8,198,978
U. S. Treasuries	20,120	-	20,120
Corporate bonds	-	392,305	392,305
	8,219,098	392,305	8,611,403
Cash and cash equivalents			
Money market funds	448,198	-	448,198
	\$ 8,667,296	\$ 392,305	\$ 9,059,601

NOTE 5 – PROPERTY AND EQUIPMENT, NET

Property and equipment consist of the following as of December 31:

	<u>2019</u>	<u>2018</u>	<u>Estimated Useful Lives</u>
Land	\$ 3,997,698	\$ 3,997,698	
Buildings and Building Improvements	29,856,444	16,079,555	10-40 years
Software	728,365	721,465	3-5 years
Furniture, Fixtures, and Equipment	2,848,241	2,348,014	5-7 years
Vehicles	2,335,093	2,350,291	5-7 years
Construction in Progress	-	4,062,723	
	39,765,841	29,559,746	
Less: accumulated depreciation and amortization	(13,477,422)	(12,604,916)	
	\$ 26,288,419	\$ 16,954,830	

Depreciation expense amounted to \$1,158,338 and \$940,632 for the years ended December 31, 2019 and 2018, respectively. The Organization wrote off fully depreciated assets with accumulated depreciation in the amount of \$285,832 and \$110,180 for the years ended December 31, 2019 and 2018, respectively.

The construction in progress of \$4,062,723 as of December 31, 2018 is related to the Bianca's Furry Friends Wellness Center, which was completed in November 2019 and transferred to buildings and building improvements. Additional costs incurred in 2019 to complete the project were approximately \$9,670,000.

On September 10, 2001, the League received approximately 98 acres of land, a building and improvements located in the County of Culpeper, Virginia (the "Property"), by Deed of Gift from Animal Allies, Inc. ("AAI"), a nonprofit corporation, whose primary purpose is the care of animals. As indicated in the Deed, the Property will be retained in perpetuity, substantially in its current condition, as a conservancy and refuge for wildlife and unwanted domestic animals. Any changes to the Property that will significantly interfere with this purpose are prohibited. The League did not recognize any amount in the financial statements for the Property as there is no objective basis available to measure its value due to the covenants and restrictions contained in the Deed. Furthermore, the covenants and restrictions render any likely value as immaterial. On November 20, 2019, the Gift Deed of Conveyance was entered into between the Organization and AAI where the land was transferred back to AAI.

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NOTE 6 – PENSION AND OTHER BENEFIT PLANS

The League had a defined benefit pension plan (the “Plan”) for all eligible employees who were at least 21 years old and had completed 24 months of service. The benefit formula was based on years of service and compensation levels as defined in the Plan. The League’s policy was to fund all amounts required to pay for the benefits based on periodic calculations by an independent “enrolled actuary.” Amounts contributed to the Plan must have been at least sufficient to meet the minimum funding requirements as determined by the actuary.

On June 30, 2006, the Board of Directors of the League adopted a resolution to freeze the Plan. As of that date, no employee is permitted to commence or recommence participation in the Plan and no further benefits will accrue to any participants. In addition, compensation received on or after that date will not be considered for any purpose under the Plan.

The net periodic pension cost for the years ended December 31, 2019 and 2018, was \$543,140 and \$582,444, respectively. The Organization made \$430,483 and \$382,284 of cash contributions to the Plan during the years ended December 31, 2019 and 2018, respectively, while the Plan made \$406,727 and \$401,635 in benefit payments during the years ended December 31, 2019 and 2018, respectively. For the year ending December 31, 2020, the League expects to make contributions of \$620,914 to the Plan.

The funded status of the Plan as of December 31 is as follows:

	<u>2019</u>	<u>2018</u>
Projected benefit obligation	\$ (12,495,179)	\$ (11,034,925)
Fair value of plan assets	<u>6,688,449</u>	<u>5,765,504</u>
Funded status	<u>\$ (5,806,730)</u>	<u>\$ (5,269,421)</u>
Accrued pension benefit obligation recognized in the Consolidated Statements of Financial Position	<u>\$ 5,806,730</u>	<u>\$ 5,269,421</u>

The components of net periodic pension cost for the pension plan for the years ended December 31 are as follows:

	<u>2019</u>	<u>2018</u>
Interest cost	\$ 461,880	\$ 423,732
Actual return on plan assets	(397,064)	(427,092)
Net amortization and deferral of net gain	<u>478,324</u>	<u>585,804</u>
Net periodic pension costs	<u>\$ 543,140</u>	<u>\$ 582,444</u>
Employer contributions	\$ 430,483	\$ 382,284
Benefits paid	406,727	401,635

As a frozen plan, the accumulated benefits obligation for the Plan was \$12,495,179 and \$11,034,925 as of December 31, 2019 and 2018, respectively.

Other changes in Plan assets and benefit obligations recognized in net assets without restrictions for the years ended December 31 are as follows:

	<u>2019</u>	<u>2018</u>
Amortization of gain	\$ 478,324	\$ 585,804
New (loss) gain during the year	<u>(902,976)</u>	<u>186,538</u>
Net amount recognized in change in net assets without restrictions	<u>\$ (424,652)</u>	<u>\$ 772,342</u>

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NOTE 6 – PENSION AND OTHER BENEFIT PLANS (Continued)

The weighted average and other assumptions used in the accounting for net periodic pension cost for the fiscal years ended December 31 are as follows:

	<u>2019</u>	<u>2018</u>
Discount rate used for net periodic benefit cost	3.30%	4.30%
Rate of compensation increase	N/A	N/A
Expected return on plan assets	7.0%	7.0%
Mortality table	Pri-2012	2014-RP

The defined benefit plan's expected rate of return on plan assets is determined by the plan assets' historical long-term investment performance, current asset allocation and estimates of future long-term returns by asset class.

The following schedule of benefit payments for the pension plan, which reflects expected future services, as appropriate, are expected to be paid:

2020	\$ 600,855
2021	606,521
2022	604,893
2023	617,173
2024	619,254
5 years thereafter	<u>3,181,708</u>
	<u>\$ 6,230,404</u>

Pension plan assets consist of investments in various mutual funds or commingled trust funds.

Assets carried at fair value at December 31, 2019 are classified in the table as follows:

<u>Asset Strategy</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Equity			
Long-Term Growth - Equity	\$ -	\$ 3,146,345	\$ 3,146,345
Fixed-Income			
Intermediate Duration	-	1,429,528	1,429,528
Long Duration	-	2,066,766	2,066,766
Cash Equivalents - Money market	<u>45,810</u>	<u>-</u>	<u>45,810</u>
Total	<u>\$ 45,810</u>	<u>\$ 6,642,639</u>	<u>\$ 6,688,449</u>

Assets carried at fair value at December 31, 2018 are classified in the table as follows:

<u>Asset Strategy</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Equity			
Long-Term Growth - Equity	\$ -	\$ 2,493,253	\$ 2,493,253
Fixed-Income			
Intermediate Duration	-	1,328,359	1,328,359
Long Duration	-	1,757,619	1,757,619
Cash Equivalents - Money market	<u>186,273</u>	<u>-</u>	<u>186,273</u>
Total	<u>\$ 186,273</u>	<u>\$ 5,579,231</u>	<u>\$ 5,765,504</u>

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NOTE 6 – PENSION AND OTHER BENEFIT PLANS (Continued)

As of plan-year end, Plan assets are invested in three diversified investment portfolios of the Pentegra Retirement Trust (the “Trust”), a private placement investment fund. The Trust has been given discretion by the Plan Sponsor to determine the appropriate strategic asset allocation versus Plan liabilities, as governed by the Trust’s Investment Policy Statement. The Plan is structured to utilize a Liability Driven Investment (LDI) approach which seeks to fund the current and future liabilities of the Plan and aims to mitigate funded status and contribution volatility.

The Plan’s asset allocation targets to hold 50% of assets in equity securities, 17% in intermediate-term investment grade bonds, 32% in long duration bonds, and 1% in a cash equivalents portfolio (for liquidity.)

The investment goal is to achieve investment results that will contribute to the proper funding of the pension plan by exceeding the rate of inflation over the long-term. In addition, investment managers are expected to provide above average performance when compared to their peer managers. Performance volatility is also monitored. Risk/volatility is further managed by the distinct investment objectives of each of the funds and the diversification within each fund.

In 2013, in accordance with the framework and LDI Yield Trigger Glide path established by the Trustees to transition the investment policy to an LDI approach, the Plan increased its allocation to long duration bonds in four increments across the year. As a result, the Plan’s asset allocation targeted 32% of total assets in long duration bonds immediately prior to the establishment of the new strategy-based asset allocation structure implemented on February 3, 2014.

The League has a 401(k) savings plan, whereby all employees may make contributions pursuant to a salary reduction agreement. Matching employer contributions are discretionary. There were no employer contributions for the years ended December 31, 2019 and 2018.

The League has a 457(b) deferred compensation plan, whereby “highly compensated employees” may make contributions pursuant to a salary reduction agreement. Pursuant to Employee Retirement Income Security Act of 1974 (“ERISA”) guidelines, “highly compensated employees” are defined as a select group of management or highly compensated employees. There were no employer contributions for the years ended December 31, 2019 and 2018.

NOTE 7 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions as of December 31 were available for the following purposes:

	<u>2019</u>	<u>2018</u>
Subject to expenditures for specific purpose and the passage of time:		
Unappropriated Endowment Earnings for Scholarship Fund	\$ 346,676	\$ 158,110
Lewyt Capital Fund	6,616,134	9,068,658
Lewyt Administration Fund	2,809,439	2,809,439
Bianca’s Furry Friends (“BFF”) Wellness Center	1,056,482	6,742,444
Rachael’s Rescue	1,182,487	1,066,797
Alex and Elizabeth Lewyt Fund	1,000,000	-
Rachael Ray Foundation Rescue Fund	600,000	-
Ann M. Bryand Health Care Fund	241,417	-
Mobile Van Donations	-	120,000
Miscellaneous programs	<u>226,963</u>	<u>221,144</u>
Subtotal	<u>14,079,598</u>	<u>20,186,592</u>
Endowment principal held in perpetuity:		
Scholarship fund	372,889	372,889
Endowment fund	<u>190,027</u>	<u>190,027</u>
Total net assets with donor restrictions	<u>\$14,642,514</u>	<u>\$20,749,508</u>

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NOTE 7 – NET ASSETS WITH DONOR RESTRICTIONS (Continued)

Net assets were released from donor restrictions when expenses satisfying the restricted purposes were incurred or by occurrence of other events specified by donors as follows for the years ended December 31:

	<u>2019</u>	<u>2018</u>
BFF Wellness Center	\$ 7,894,314	\$ 3,441,576
Lewyt Capital Fund	2,452,524	291,342
Lewyt Administration Fund	-	805,088
Rachael's Rescue	750,350	644,138
Mobile Van Donations	120,000	-
Don & Karen LaRocca Dog Park	3,900	129,280
Pet Wellness Center	-	143,296
Hurricane Grants – Rachael Ray	-	125,000
Miscellaneous programs	215,557	255,131
	<u>\$11,436,645</u>	<u>\$ 5,834,851</u>

NOTE 8 – RELATED-PARTY TRANSACTIONS

The League and the Foundation are operated as if they were separate entities. Certain directors of the Foundation are also directors of the League. However, Board membership in one organization is not a condition of Board membership in the other.

It is the League's intention, at the direction of its Board, to provide support for the Foundation in its efforts to save animals around the world. During 2019 and 2018, the League made grants of \$200,000 and \$356,000, respectively, to the Foundation, which have been eliminated for consolidation purposes.

NOTE 9 – JOINT COSTS

The Organization incurred joint costs of \$9,774,630 and \$9,505,374 for the years ended December 31, 2019 and 2018, respectively, for informational materials and activities that included fundraising appeals. Of those costs, \$2,029,599 and \$1,973,575, respectively, were allocated to fundraising expense and \$7,745,031 and \$7,531,799, respectively, were allocated to program expense.

NOTE 10 – LINE OF CREDIT

The League has a \$3,750,000 secured line of credit with Signature Bank (the "Bank") to be drawn down upon as needed for working capital purposes. The line of credit is secured by a pledge to the Bank by the Organization of all cash and/or marketable securities on deposit in an account maintained by the League with Neuberger Berman. The line of credit is available through September 9, 2020. The interest rate in effect was a variable rate per annum equal to the Bank's Prime rate minus 0.25% as of December 31, 2019 and 2018. There were outstanding borrowings of \$1,850,000 and \$2,576,000 as of December 31, 2019 and 2018, respectively. The balance as of June 29, 2020 amounted to \$850,000.

NOTE 11 – CONCENTRATIONS

Cash and cash equivalents that potentially subject the Organization to a concentration of credit risk include cash accounts with banks that exceed the Federal Deposit Insurance Corporation ("FDIC") insurance limits by approximately \$15,903,000 and \$22,619,000 as of December 31, 2019 and 2018, respectively, at two banks. This excess includes outstanding checks. Cash accounts with participating banks are insured up to \$250,000 per depositor.

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NOTE 12 – ENDOWMENT FUNDS

The Board of the Organization follows the New York State law called the New York Prudent Management of Institutional Funds Act (“NYPMIFA”). NYPMIFA includes a rebuttable presumption of imprudence if an organization appropriates more than 7% of a donor-restricted permanent endowment fund’s fair value (averaged over a period of not less than the preceding five years) in any year. Any unappropriated earnings that would otherwise be considered unrestricted by the donor are reflected as net assets with donor restrictions until appropriated.

The Organization’s Board has interpreted NYPMIFA as allowing the Organization to appropriate for expenditure or accumulate so much of an endowment fund as the Organization determines is prudent for the uses, benefits, purposes and duration for which the endowment fund was established, subject to the intent of the donor as expressed in the gift instrument. Unless stated otherwise, the assets in a donor-restricted endowment fund shall be donor-restricted assets until appropriated for expenditure by the Board.

As a result of this interpretation, the Organization has not changed the way net assets restricted in perpetuity are classified. The remaining portion of the donor-restricted endowment fund that is not classified as restricted in perpetuity is classified as net assets with donor restrictions (purpose and time-restricted for future periods), until those amounts are appropriated for expenditure in a manner consistent with the standard of prudence prescribed by NYPMIFA.

The policy for valuing the Organization’s investments is described in Note 2H. In accordance with U.S. GAAP, any deterioration of the fair value of assets associated with donor-restricted endowment funds that falls below the level the donor requires the Organization to retain in perpetuity is to be reported in net assets with donor restrictions. The fair value of assets associated with individual donor-restricted endowment funds are all above historic dollar value as of December 31, 2019 and 2018.

Changes in endowment net assets for the year ended December 31, 2019 are as follows:

	<u>Unappropriated Earnings</u>	<u>Endowment Corpus</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 158,110	\$ 562,916	\$ 721,026
Investment fees	(9,209)	-	(9,209)
Investment income	<u>197,775</u>	<u>-</u>	<u>197,775</u>
Endowment net assets, end of year	<u>\$ 346,676</u>	<u>\$ 562,916</u>	<u>\$ 909,592</u>

Changes in endowment net assets for the year ended December 31, 2018 are as follows:

	<u>Unappropriated Earnings</u>	<u>Endowment Corpus</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 205,760	\$ 562,916	\$ 768,676
Investment fees	(8,614)	-	(8,614)
Investment loss	<u>(39,036)</u>	<u>-</u>	<u>(39,036)</u>
Endowment net assets, end of year	<u>\$ 158,110</u>	<u>\$ 562,916</u>	<u>\$ 721,026</u>

NOTE 13 – COMMITMENTS AND CONTINGENCIES

- A. The League entered into an agreement with Direct Mail Processors, Inc, (“DMP”), for the processing of its direct mail. Under the terms of the agreement, the League is not obligated to pay minimum service charges. The contract is effective through January 1, 2023.

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NOTE 13 – COMMITMENTS AND CONTINGENCIES (Continued)

- B. The League entered into an agreement with eBay Enterprises, which provides database processing services. Under the terms of the agreement, the League is obligated to pay minimum service charges of approximately \$56,000 per month through December 31, 2020.
- C. The Organization is subject to various claims and legal proceedings that arise in the ordinary course of its business activities. Management believes that any liability that may ultimately result from the resolution of these matters will not have a material adverse effect on the financial condition or changes in net assets of the Organization. Additionally, management believes that with respect to any pending or threatened litigation charges or claims against the Organization, after the Organization's deductible, the Organization has adequate insurance coverage to cover these claims.
- D. The Organization has no uncertain tax positions as of December 31, 2019 and 2018 in accordance with ASC Topic 740, "Income Taxes," which provides standards for establishing and classifying any tax provisions for uncertain tax positions.

NOTE 14 – MUTT-I-GREES® MOVEMENT

The Mutt-i-grees® Movement is the Foundation's largest program. A key component of the Mutt-i-grees® Movement is a multifaceted humane education program which features an innovative school curriculum, the Mutt-i-grees® Curriculum. The Curriculum, targeting children from Pre-K to high school level students has been developed, published and is being implemented in schools around the country. The Curriculum highlights humane education and shelter pets within the context of Social and Emotional Learning. Mutt-i-grees® in the Library, Cats are Mutt-i-grees® 2, The Shelter Guide to Mutt-i-grees® Curriculum, Paws Down/Tails Up: Physical Fitness Featuring Mutt-i-grees®, and Mutt-i-grees® at Home are ancillary products that have been developed. The Foundation is developing the Mutt-i-grees® Curriculum in collaboration with Yale University's School of the 21st Century. The School of the 21st Century is under the auspices of the Yale Medical School, Child Study Center. A relative of a Board member of the Foundation is a Research Scientist at the Child Study Center.

NOTE 15 – SUBSEQUENT EVENTS

Management has evaluated events subsequent to the date of the consolidated statement of financial position through June 29, 2020, the date the consolidated financial statements were available to be issued.

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus ("COVID-19") as a pandemic, which continues to spread throughout the United States. The Organization may be materially and adversely affected by the risks, or the public perception of the risks, related to an epidemic, pandemic, outbreak, or other public health crisis, such as the recent outbreak of COVID-19. The ultimate extent of the impact of any epidemic, pandemic or other health crisis on the Organization's mission, financial condition and results of operations will depend on future developments, which are highly uncertain and cannot be predicted, including new information that may emerge concerning the severity of such epidemic, pandemic or other health crisis and actions taken to contain or prevent their further spread, among others. Accordingly, the Organization cannot predict the extent to which its financial condition and results of operations will be affected.

On March 27, 2020, in response to COVID-19, the federal government passed the Coronavirus Aid, Relief, and Economic Stability Act ("CARES Act"). Among many other provisions, to help businesses retain employees, the CARES Act provides relief to qualifying businesses through a program called the Paycheck Protection Program ("PPP"). Participating in the PPP enables the business to obtain a loan from the Small Business Administration sector of the government. The maximum loan amount is equal to the lesser of (a) 2.5 times the entity's average monthly payroll costs, as defined and incurred during the one-year period before the date on which the loan is made; or (b) \$10 million. The term of the loan is two years and bears interest at a fixed rate of 1% per annum. If the proceeds from the loan are used for specified purposes, some or all of the loan can be forgiven, based on how much is spent in the eight week period immediately following funding of the loan times a forgiveness factor that is based on employee headcount and amounts paid to the company's employees. The League applied for this loan through an SBA authorized lender and received approximately \$2.6 million in April 2020.

**NORTH SHORE ANIMAL LEAGUE AMERICA, INC. AND
THE PET SAVERS FOUNDATION, INC.**
(A Non-Profit Organization)
Supplemental Information
Consolidating Statement of Financial Position
As of December 31, 2019

	As of December 31, 2019			
	North Shore Animal League	Pet Savers Foundation	Consolidating Eliminations	Consolidated Total
ASSETS				
Cash and cash equivalents	\$ 3,865,781	\$ 40,780	\$ -	\$ 3,906,561
Restricted cash	13,477,631	-	-	13,477,631
Bequests receivable	129,376	-	-	129,376
Program service fees receivable, net	33,212	-	-	33,212
Contributions and other receivables	1,683,129	152,935	(140,249)	1,695,815
Prepaid expenses and other assets	609,417	-	-	609,417
Inventory	684,345	-	-	684,345
Investments	11,314,746	-	-	11,314,746
Property and equipment, net	26,252,573	35,846	-	26,288,419
Total Assets	<u>\$ 58,050,210</u>	<u>\$ 229,561</u>	<u>\$ (140,249)</u>	<u>\$ 58,139,522</u>
LIABILITIES				
Accounts payable and accrued expenses	\$ 4,379,118	\$ 203,446	\$ (140,249)	\$ 4,442,315
Annuity payment liability	629,647	-	-	629,647
Accrued pension benefit obligation	5,806,730	-	-	5,806,730
Line of credit	1,850,000	-	-	1,850,000
Total Liabilities	<u>12,665,495</u>	<u>203,446</u>	<u>(140,249)</u>	<u>12,728,692</u>
NET ASSETS				
Net assets without donor restrictions	30,742,201	26,115	-	30,768,316
Net assets with donor restrictions	14,642,514	-	-	14,642,514
Total Net Assets	<u>45,384,715</u>	<u>26,115</u>	<u>-</u>	<u>45,410,830</u>
Total Liabilities and Net Assets	<u>\$ 58,050,210</u>	<u>\$ 229,561</u>	<u>\$ (140,249)</u>	<u>\$ 58,139,522</u>

**NORTH SHORE ANIMAL LEAGUE AMERICA, INC. AND
THE PET SAVERS FOUNDATION, INC.
(A Non-Profit Organization)
Supplemental Information
Consolidating Statement of Activities
For the Year Ended December 31, 2019
(With Comparative Totals for 2018)**

	Year Ended December 31, 2019								
	North Shore Animal League			Pet Savers Foundation			Consolidating Eliminations	2019 Consolidated Total	2018 Consolidated Total
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total			
SUPPORT, PROGRAM SERVICE REVENUE AND OTHER:									
Special events revenue (net of direct expenses of \$101,032 and \$98,872 in 2019 and 2018, respectively)	\$ 60,224	\$ 993,952	\$ 1,054,176	\$ -	\$ -	\$ -	\$ -	\$ 1,054,176	\$ 743,238
Grants				200,000		200,000	(200,000)		
Bequests	7,319,832		7,319,832					7,319,832	5,773,841
Contributions	23,324,301	4,116,124	27,440,425	13,873		13,873		27,454,298	24,079,036
In-kind contributions	555,432		555,432					555,432	522,978
Total support revenue	31,259,789	5,110,076	36,369,865	213,873		213,873	(200,000)	36,383,738	31,119,093
Program service revenue:									
Pet Rescue and Adoption	942,003	21,800	963,803					963,803	1,080,090
Humane Education	37,613		37,613					37,613	47,531
Spay/Neuter and Veterinary Care	7,144,791		7,144,791					7,144,791	7,061,280
Pet Savers Foundation				37,194		37,194		37,194	35,282
Total program service revenue	8,124,407	21,800	8,146,207	37,194		37,194		8,183,401	8,224,183
Dividends and interest	448,619	14,907	463,526					463,526	441,463
Pet store sales (net of cost of goods sold of \$105,697 and \$119,564 in 2019 and 2018, respectively)	71,439		71,439					71,439	78,385
List rental income	655,013		655,013					655,013	462,515
Other revenue	27,522		27,522					27,522	44,258
Net assets released from restrictions	11,436,645	(11,436,645)							
Total other revenue	12,639,238	(11,421,738)	1,217,500					1,217,500	1,026,621
TOTAL SUPPORT, PROGRAM SERVICE REVENUE AND OTHER	52,023,434	(6,289,862)	45,733,572	251,067		251,067	(200,000)	45,784,639	40,369,897
OPERATING EXPENSES:									
Program Services:									
Pet Rescue and Adoption	13,592,407		13,592,407				(20,000)	13,572,407	12,964,686
Humane Education	5,211,745		5,211,745				(160,000)	5,051,745	4,872,582
Spay/Neuter and Vet Care	15,003,193		15,003,193				(20,000)	14,983,193	14,685,468
Pet Savers Foundation				232,637		232,637		232,637	387,026
Total program services	33,807,345		33,807,345	232,637		232,637	(200,000)	33,839,982	32,909,762
Supporting Services:									
Management and general	1,604,152		1,604,152	2,687		2,687		1,606,839	1,562,041
Fundraising	5,689,353		5,689,353	427		427		5,689,780	5,502,517
Total supporting services	7,293,505		7,293,505	3,114		3,114		7,296,619	7,064,558
TOTAL OPERATING EXPENSES	41,100,850		41,100,850	235,751		235,751	(200,000)	41,136,601	39,974,320
CHANGE IN NET ASSETS FROM OPERATIONS	10,922,584	(6,289,862)	4,632,722	15,316		15,316		4,648,038	395,577
OTHER CHANGES:									
Net realized and unrealized gain (loss) on investments, net of fees	2,342,771	182,868	2,525,639					2,525,639	(838,773)
Change in value of split-interest agreements	(59,693)		(59,693)					(59,693)	(76,666)
Pension related changes other than net periodic pension costs	(424,652)		(424,652)					(424,652)	772,342
CHANGE IN NET ASSETS	12,781,010	(6,106,994)	6,674,016	15,316		15,316		6,689,332	252,480
Net assets, beginning of year	17,961,191	20,749,508	38,710,699	10,799		10,799		38,721,498	38,469,018
NET ASSETS - END OF YEAR	\$ 30,742,201	\$ 14,642,514	\$ 45,384,715	\$ 26,115		\$ 26,115	\$ -	\$ 45,410,830	\$ 38,721,498