

**ANIMAL  
RESCUE  
LEAGUE  
of BOSTON**



*A champion for animals*

**FINANCIAL STATEMENTS  
DECEMBER 31, 2018 AND 2017**

**ANIMAL RESCUE LEAGUE OF BOSTON**

Contents  
December 31, 2018 and 2017

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## Independent Auditor's Report

To the Board of Directors of  
Animal Rescue League of Boston:

### **Report on the Financial Statements**

We have audited the financial statements of Animal Rescue League of Boston (a Massachusetts corporation, not-for-profit), which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities and changes in net assets, cash flows and functional expenses for the years then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Animal Rescue League of Boston as of December 31, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Emphasis of a Matter***

As disclosed in Note 1 to the financial statements, in 2018, Animal Rescue League of Boston adopted Accounting Standards Update No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to that matter.

*Alexander, Crosser, Pinning & Co., P.C.*

Boston, Massachusetts  
June 18, 2019

**ANIMAL RESCUE LEAGUE OF BOSTON**Statements of Financial Position  
December 31, 2018 and 2017

<b>Assets</b>	<b>2018</b>	<b>2017</b>
Current Assets:		
Cash and equivalents	\$ 4,502,928	\$ 4,498,508
Current portion of pledges and accounts receivable	347,504	442,880
Prepaid expenses and other assets	306,525	253,129
Total current assets	5,156,957	5,194,517
Pledges and accounts receivable, net	94,848	142,525
Investments, at fair value	70,037,728	78,038,174
Investment in land	1,589,300	1,589,300
Property and equipment, net	7,438,719	7,312,160
Beneficial interest in perpetual trusts	11,370,757	13,104,584
Total assets	<u>\$ 95,688,309</u>	<u>\$ 105,381,260</u>
<b>Liabilities and Net Assets</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 969,073	\$ 1,015,880
Capital lease	1,962	9,500
Total liabilities	971,035	1,025,380
Net Assets:		
Without donor restrictions:		
Working capital	2,848,557	3,138,789
Property and equipment	7,438,719	7,312,160
Board designated	53,918,812	58,808,219
Total without donor restrictions	64,206,088	69,259,168
With donor restrictions	30,511,186	35,096,712
Total net assets	94,717,274	104,355,880
Total liabilities and net assets	<u>\$ 95,688,309</u>	<u>\$ 105,381,260</u>

The accompanying notes are an integral part of these statements.

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**ANIMAL RESCUE LEAGUE OF BOSTON**

Statement of Activities and Changes in Net Assets  
For the Year Ended December 31, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>Operating Revenues:</b>			
Investment spending policy	\$ 3,282,547	\$ -	\$ 3,282,547
Services fees and other income	3,022,846	-	3,022,846
Public support	2,459,724	-	2,459,724
Net assets released from restrictions	688,100	-	688,100
Income from trusts	658,727	-	658,727
	<u>10,111,944</u>	<u>-</u>	<u>10,111,944</u>
<b>Operating Expenses:</b>			
Program services	7,655,696	-	7,655,696
Management and general	1,572,545	-	1,572,545
Fundraising	728,403	-	728,403
	<u>9,956,644</u>	<u>-</u>	<u>9,956,644</u>
Changes in net assets from operations	<u>155,300</u>	<u>-</u>	<u>155,300</u>
<b>Non-Operating Activities:</b>			
Bequests	2,055,364	50,000	2,105,364
Public support	-	435,699	435,699
Gain on disposal of assets	500	-	500
Costs associated with investment in land	(110,079)	-	(110,079)
Net assets released from restrictions	135,000	(823,100)	(688,100)
Change in beneficial interest in perpetual trusts	-	(1,733,827)	(1,733,827)
Investment return, net	(7,289,165)	(2,514,298)	(9,803,463)
	<u>(5,208,380)</u>	<u>(4,585,526)</u>	<u>(9,793,906)</u>
Changes in net assets	<u>(5,053,080)</u>	<u>(4,585,526)</u>	<u>(9,638,606)</u>
<b>Net Assets:</b>			
Beginning of year	<u>69,259,168</u>	<u>35,096,712</u>	<u>104,355,880</u>
End of year	<u>\$ 64,206,088</u>	<u>\$ 30,511,186</u>	<u>\$ 94,717,274</u>

## ANIMAL RESCUE LEAGUE OF BOSTON

### Statement of Activities and Changes in Net Assets For the Year Ended December 31, 2017

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>Operating Revenues:</b>			
Investment spending policy	\$ 3,388,505	\$ -	\$ 3,388,505
Services fees and other income	2,848,485	-	2,848,485
Public support	2,339,880	-	2,339,880
Net assets released from restrictions	580,454	-	580,454
Income from trusts	581,161	-	581,161
	<u>9,738,485</u>	<u>-</u>	<u>9,738,485</u>
<b>Operating Expenses:</b>			
Program services	7,316,618	-	7,316,618
Management and general	1,551,771	-	1,551,771
Fundraising	762,328	-	762,328
	<u>9,630,717</u>	<u>-</u>	<u>9,630,717</u>
Changes in net assets from operations	<u>107,768</u>	<u>-</u>	<u>107,768</u>
<b>Non-Operating Activities:</b>			
Bequests	2,727,045	-	2,727,045
Public support	-	720,248	720,248
Gain on disposal of assets	10,043	-	10,043
Costs associated with investment in land	(79,333)	-	(79,333)
Net assets released from restrictions	-	(580,454)	(580,454)
Change in beneficial interest in perpetual trusts	-	1,447,203	1,447,203
Investment return, net	6,549,155	2,689,333	9,238,488
	<u>9,206,910</u>	<u>4,276,330</u>	<u>13,483,240</u>
Changes in net assets	9,314,678	4,276,330	13,591,008
<b>Net Assets:</b>			
Beginning of year	<u>59,944,490</u>	<u>30,820,382</u>	<u>90,764,872</u>
End of year	<u>\$ 69,259,168</u>	<u>\$ 35,096,712</u>	<u>\$ 104,355,880</u>

**ANIMAL RESCUE LEAGUE OF BOSTON**

Statements of Cash Flows

For the Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
<b>Cash Flows from Operating Activities:</b>		
Changes in net assets	\$ (9,638,606)	\$ 13,591,008
Adjustments to reconcile changes in net assets to net cash and equivalents provided by (used in) operating activities:		
Depreciation	479,714	429,484
Net realized and unrealized (gains) losses on investments	7,051,643	(12,012,704)
Change in beneficial interest in perpetual trusts	1,733,827	(1,447,203)
Capital grants	(135,000)	-
Gain on disposal of assets	(500)	(10,043)
Discount on pledges and other receivables	(2,323)	7,475
Changes in operating assets and liabilities:		
Pledges and accounts receivable	145,376	(165,880)
Prepaid expenses and other assets	(53,396)	79,516
Accounts payable and accrued expenses	(46,807)	253,005
Capital lease	(7,538)	9,500
Net cash provided by (used in) operating activities	<u>(473,610)</u>	<u>734,158</u>
<b>Cash Flows from Investing Activities:</b>		
Sales of investments	10,100,000	10,686,238
Purchases of investments	(9,151,197)	(11,241,028)
Proceeds from sale of property	500	16,900
Acquisition of property and equipment	(606,273)	(464,908)
Net cash provided by (used in) investing activities	<u>343,030</u>	<u>(1,002,798)</u>
<b>Cash Flows from Financing Activities:</b>		
Capital grants	<u>135,000</u>	<u>-</u>
<b>Net Change in Cash and Equivalents</b>	<b>4,420</b>	<b>(268,640)</b>
<b>Cash and Equivalents:</b>		
Beginning of year	<u>4,498,508</u>	<u>4,767,148</u>
End of year	<u>\$ 4,502,928</u>	<u>\$ 4,498,508</u>



**ANIMAL RESCUE LEAGUE OF BOSTON**

Statement of Functional Expenses  
For the Year Ended December 31, 2018

	Program Services					Supporting Services			Total
	Animal Care and Adoption	Veterinary Services	Animal Protection	Community Programs	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Salaries, payroll taxes and benefits	\$ 2,339,309	\$ 1,675,685	\$ 685,986	\$ 404,275	\$ 5,105,255	\$ 1,000,913	\$ 393,193	\$ 1,394,106	\$ 6,499,361
Animal care services, equipment and supplies	200,813	559,237	21,777	64,164	845,991	1,765	187	1,952	847,943
Occupancy	246,600	69,922	18,140	9,982	344,644	181,979	9,502	191,481	536,125
Depreciation	343,131	24,344	37,392	16,752	421,619	43,750	5,437	49,187	470,806
Maintenance and repair services	214,462	35,171	12,373	16,260	278,266	10,663	8,569	19,232	297,498
Insurance	97,226	51,871	27,282	23,612	199,991	34,109	9,083	43,192	243,183
Design, printing and postage	2,499	5,148	67,123	-	74,770	3,579	126,026	129,605	204,375
Other professional services	27,641	7,444	31,524	248	66,857	72,892	52,784	125,676	192,533
Travel and vehicle expense	28,947	32,072	23,035	16,633	100,687	18,770	41,948	60,718	161,405
Information technology	37,232	18,018	7,039	1,395	63,684	46,614	40,360	86,974	150,658
Other expenses	17,706	36,866	1,068	22	55,662	49,607	24,825	74,432	130,094
Office expenses	21,875	22,653	9,404	2,155	56,087	12,044	7,192	19,236	75,323
Audit and tax services	-	-	-	-	-	58,902	-	58,902	58,902
Advertising and promotion	-	710	9,134	71	9,915	18,375	3,528	21,903	31,818
Conferences and meetings	5,100	10,228	2,414	1,797	19,539	2,030	5,769	7,799	27,338
Legal services	1,245	-	9,430	-	10,675	16,247	-	16,247	26,922
Lobbying services	-	-	2,054	-	2,054	306	-	306	2,360
<b>Total expenses</b>	<b>\$ 3,583,786</b>	<b>\$ 2,549,369</b>	<b>\$ 965,175</b>	<b>\$ 557,366</b>	<b>\$ 7,655,696</b>	<b>\$ 1,572,545</b>	<b>\$ 728,403</b>	<b>\$ 2,300,948</b>	<b>\$ 9,956,644</b>

**ANIMAL RESCUE LEAGUE OF BOSTON**

Statement of Functional Expenses  
For the Year Ended December 31, 2017

	Program Services				Total Program Services	Supporting Services		Total Supporting Services	Total
	Animal Care and Adoption	Veterinary Services	Animal Protection	Community Programs		Management and General	Fundraising		
Salaries, payroll taxes and benefits	\$ 2,254,105	\$ 1,706,046	\$ 688,639	\$ 273,939	\$ 4,922,729	\$ 998,705	\$ 439,686	\$ 1,438,391	\$ 6,361,120
Animal care services, equipment and supplies	369,075	494,623	20,904	2,409	887,011	112	102	214	887,225
Occupancy	202,732	68,253	13,696	10,490	295,171	191,714	10,182	201,896	497,067
Depreciation	330,666	18,348	22,059	3,783	374,856	40,618	4,575	45,193	420,049
Maintenance and repair services	199,406	36,154	9,665	4,839	250,064	7,558	7,419	14,977	265,041
Insurance	93,751	48,813	29,497	16,520	188,581	41,996	9,068	51,064	239,645
Design, printing and postage	1,576	3,550	82,348	141	87,615	2,477	171,105	173,582	261,197
Other professional services	2,280	1,070	500	-	3,850	45,796	1,460	47,256	51,106
Travel and vehicle expense	26,325	25,748	18,965	22,263	93,301	17,245	27,360	44,605	137,906
Information technology	46,640	14,520	10,462	493	72,115	29,045	50,544	79,589	151,704
Other expenses	15,220	33,386	115	10	48,731	50,383	27,313	77,696	126,427
Office expenses	19,733	16,907	13,375	1,051	51,066	11,760	9,694	21,454	72,520
Audit and tax services	-	-	-	-	-	81,427	-	81,427	81,427
Advertising and promotion	60	320	5,235	456	6,071	200	1,191	1,391	7,462
Conferences and meetings	9,303	11,400	1,120	1,029	22,852	4,473	2,629	7,102	29,954
Legal services	-	-	11,037	-	11,037	27,791	-	27,791	38,828
Lobbying services	-	-	1,568	-	1,568	471	-	471	2,039
<b>Total expenses</b>	<b>\$ 3,570,872</b>	<b>\$ 2,479,138</b>	<b>\$ 929,185</b>	<b>\$ 337,423</b>	<b>\$ 7,316,618</b>	<b>\$ 1,551,771</b>	<b>\$ 762,328</b>	<b>\$ 2,314,099</b>	<b>\$ 9,630,717</b>

## ANIMAL RESCUE LEAGUE OF BOSTON

Notes to Financial Statements  
December 31, 2018 and 2017

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### 1. OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES

#### OPERATIONS AND NONPROFIT STATUS

The Animal Rescue League of Boston (ARL) is an unwavering champion for animals in need, committed to keeping them safe and healthy in habitats and homes. A Massachusetts nonprofit organization founded in 1899, ARL provides high quality veterinary care, adoption, and rescue services while also confronting the root causes of animal cruelty and neglect through innovative community programs, police investigations, and public advocacy.

ARL is exempt from Federal income taxes as an organization (not a private foundation) formed for charitable purposes under Section 501(c)(3) of the Internal Revenue Code (IRC). ARL is also exempt from state income taxes. Donors may deduct contributions made to ARL within the IRC requirements.

#### SIGNIFICANT ACCOUNTING POLICIES

ARL prepares its financial statements in accordance with generally accepted accounting standards and principles (U.S. GAAP) established by the Financial Accounting Standards Board (FASB). References to U.S. GAAP in these notes are to the FASB Accounting Standards Codification (ASC).

#### Recently Adopted Accounting Pronouncement

In 2018, ARL adopted FASB's Accounting Standards Update 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This ASU addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. ARL has adjusted the presentation of these statements accordingly. This ASU has been applied retrospectively to all periods presented. This ASU provides an option to omit disclosures about liquidity and availability of resources for the 2017 financial statements. The adoption of this ASU resulted in the following changes to ARL's net asset classes for the year ended December 31, 2017:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Unrestricted	\$ 69,259,168	\$ -	\$ 69,259,168
Temporarily restricted	-	14,430,461	14,430,461
Permanently restricted	-	<u>20,666,251</u>	<u>20,666,251</u>
Total net assets, as previously stated	<u>\$ 69,259,168</u>	<u>\$ 35,096,712</u>	<u>\$ 104,355,880</u>

#### Statements of Activities and Changes in Net Assets

Transactions deemed by management to be ongoing, major, or central to the provision of program services are reported as operating revenues and operating expenses in the accompanying statements of activities and changes in net assets. Peripheral or incidental transactions are reported as non-operating activities. Non-operating activities include bequests, restricted public support and releases thereof, costs associated with investment in land, gains on asset disposals, and investment activity (see Note 2).

## ANIMAL RESCUE LEAGUE OF BOSTON

Notes to Financial Statements  
December 31, 2018 and 2017

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### 1. OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### Cash and Equivalents

For purposes of the statements of cash flows, management considers all highly liquid investments held for operating purposes with initial maturities of three months or less to be cash and equivalents. Cash and equivalents include amounts held for operating purposes and long-term land use and facilities planning purposes. Given the seasonal nature of ARL's fundraising, amounts collected prior to year-end may fluctuate from year-to-year. Cash and equivalents held by investment managers are considered part of investments.

##### Allowance for Doubtful Accounts

ARL provides an allowance for doubtful accounts equal to the estimated uncollectible amounts. ARL's estimate is based on historical collection experience and a review of the current status of trade accounts receivable. There was no allowance for doubtful accounts as of December 31, 2018 and 2017.

##### Fair Value Measurements

ARL follows the accounting and disclosure standards pertaining to ASC Topic, *Fair Value Measurements*, for qualifying assets and liabilities. Fair value is defined as the price that ARL would receive upon selling an asset or pay to settle a liability in an orderly transaction between market participants.

ARL uses a framework for measuring fair value that includes a hierarchy that categorizes and prioritizes the sources used to measure and disclose fair value. This hierarchy is broken down into three levels based on inputs that market participants would use in valuing the financial instruments based on market data obtained from sources independent of ARL. Inputs refer broadly to the assumptions that market participants would use in pricing the financial instrument, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the financial instrument developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset developed based on the best information available. The three-tier hierarchy of inputs is summarized in the three broad levels as follows:

Level 1 - Inputs that reflect unadjusted quoted prices in active markets for identical assets at the measurement date.

Level 2 - Inputs other than quoted prices that are observable for the asset either directly or indirectly, including inputs in markets that are not considered to be active.

Level 3 - Inputs that are unobservable and which require significant judgment or estimation.

A qualifying asset or liability's level within the framework is based upon the lowest level of any input that is significant to the fair value measurement.

##### Cash and Equivalents

Cash and equivalents are considered Level 1 in the fair value hierarchy.

## ANIMAL RESCUE LEAGUE OF BOSTON

Notes to Financial Statements  
December 31, 2018 and 2017

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### 1. OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### Fair Value Measurements (Continued)

##### *Investments*

Investments are recorded in the financial statements at fair value. If an investment is directly held by ARL and an active market with quoted prices exists, the market price of an identical security is used to report fair value. ARL's interests in other investment funds such as marketable alternatives are generally reported at the net asset value (NAV) reported by fund managers, which is used as a practical expedient to estimate the fair value, unless it is probable that all or a portion of the investment will be sold for an amount different from NAV. As of December 31, 2018, and 2017, ARL had no plans to sell investments at amounts different from NAV.

Under the provisions of Accounting Standards Update No. 2015-07, *Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*, ARL is allowed to measure the fair value of certain investments using the value per share of the investments.

A description of the valuation methodologies used for assets measured at fair value is included in Note 2.

##### *Investment in Land*

The value of ARL's investment in land (see page 12) is determined using Level 3 inputs (independent appraisals or certifications of value by licensed professionals).

##### *Beneficial Interest in Perpetual Trusts*

The value of ARL's interest in perpetual trusts (see Note 7) is determined using Level 1 inputs (the fair value of trust assets) and Level 3 inputs (ARL's share of ownership in the trusts).

##### *All Other Assets and Liabilities*

The carrying value of all other qualifying assets and liabilities does not differ materially from its estimated fair value and is considered Level 1 in the fair value hierarchy.

##### **Property and Equipment and Depreciation**

Property and equipment in excess of \$3,000 is recorded at cost at the date of acquisition or at fair value at the date of donation. Depreciation is computed using the straight-line method over the following estimated useful lives (see Note 6):

Land	N/A
Buildings and improvements	5 - 40 years
Equipment	3 - 20 years
Motor vehicles	5 - 10 years
Furniture and fixtures	7 years

## ANIMAL RESCUE LEAGUE OF BOSTON

Notes to Financial Statements  
December 31, 2018 and 2017

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### 1. OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### Property and Equipment and Depreciation (Continued)

ARL reviews its investment in property and equipment for impairment whenever events or changes in circumstances indicate that the carrying value of such property and equipment may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the real estate to the future net undiscounted cash flow expected to be generated by the property and any estimated proceeds from the eventual disposition of the property. If the property and equipment are considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount of the property and equipment exceeds the fair value of such property and equipment. There were no impairment losses recognized in 2018 or 2017.

##### Investments

All investments are carried at fair value as non-current assets since all are invested for long-term purposes of ARL. ARL records its share of the realized activities as a return of capital or return on capital based upon the characterization determined by the fund manager or general partner. ARL records its share of unrealized gains and losses on the interests in partnerships as increases or decreases in the accumulated appreciation (depreciation) component of its investment accounts. Asset valuations are estimated as determined based on amounts reported by the partnership.

These estimated values may differ significantly from the values that would have been used had a ready market existed and those differences could be material. Certain other investment funds such as marketable alternatives are valued using NAV as a practical expedient to estimate the fair value. ARL values all other investments, which are publicly traded, using the quoted price in an active market (Level 1 input). Investment return consists of interest, dividends and realized and unrealized gains and losses. Interest income is recorded as earned and dividend income is recorded on the ex-dividend date.

Realized gains and losses on investment transactions are recorded based on the average cost method. Investment income of the endowments is available for specified or unspecified purposes based on donor instruction. Therefore, investment income is reflected in net assets with donor restrictions or net assets without donor restrictions in the accompanying statements of activities and changes in net assets.

Investments are subject to ongoing market fluctuations. The investments are held in several separately managed investment portfolios. An investment advisor assists ARL's Investment Committee in evaluation of sector allocations and performance.

The investments have been allocated between the with donor restrictions and without donor restrictions net asset classes in the accompanying statements of financial position according to the absence or presence of donor restrictions (see Note 3) and *Uniform Prudent Management of Institutional Funds Act* (UPMIFA).

ARL believes that the reported amount of its investments is a reasonable estimate of fair value as of December 31, 2018 and 2017. Because of the inherent uncertainties of valuation, these estimated fair values may differ significantly from values that would have been used had a ready market existed.

## ANIMAL RESCUE LEAGUE OF BOSTON

Notes to Financial Statements  
December 31, 2018 and 2017

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### 1. OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### Investment in Land

ARL had received a gift of parcels of land and buildings in Cataumet, Massachusetts. Management believed that the carrying value of the property, including holding costs, was recoverable from the developed use of the property or its disposition. During 2009, the Board of Directors formally designated the parcels of land as investment property to be added to ARL's Board Designated Net Assets - Funds Functioning as Endowment (see below). Costs associated with investment in land in the accompanying statements of activities and changes in net assets include \$8,908 and \$9,435 of depreciation expense for the years ended December 31, 2018 and 2017, respectively.

These were no write downs in carrying value recognized during fiscal years 2018 and 2017.

##### Net Assets

ARL has prepared its financial statements in accordance with U.S. generally accepted accounting principles (U.S. GAAP), which require ARL to report information regarding its financial position and activities according to the following net asset classifications (see Note 3):

**Net Assets Without Donor Restrictions** - Net assets available for use in general operations and not subject to donor or grantor restrictions. ARL has three classifications of net assets without donor restrictions as follows:

- **Working capital** - represent unrestricted resources available for general operating purposes.
- **Property and equipment** - represent resources available and amounts expended for property and equipment, net of accumulated depreciation.
- **Board designated** - include a capital spending fund and funds functioning as endowment, both due to designated limitations initiated by the Board of Directors (see Note 3), and a long-term land use and facilities fund which represents net assets designated by the Board of Directors to conduct assessment of future uses for land and facilities. During 2018 and 2017, the Board approved \$170,783 and \$56,743, respectively, of disbursements from the long-term land use and facilities planning fund for planning costs related to ARL's real estate assets. Board designations may be cancelled at the discretion of the Board.

	<u>2018</u>	<u>2017</u>
Funds functioning as endowment	\$ 52,127,510	\$ 57,434,428
Capital spending fund	1,043,497	946,203
Long-term land use and facilities planning fund	<u>747,805</u>	<u>427,588</u>
	<u>\$ 53,918,812</u>	<u>\$ 58,808,219</u>

**Net Assets With Donor Restrictions** - Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of ARL or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities and changes in net assets.

## ANIMAL RESCUE LEAGUE OF BOSTON

Notes to Financial Statements  
December 31, 2018 and 2017

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### 1. OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### Net Assets (Continued)

Net assets with donor restrictions include the following at December 31:

	<u>2018</u>	<u>2017</u>
Beneficial interest in perpetual trusts (see Note 7)	\$ 11,370,757	\$ 13,104,584
Appreciation on donor-restricted endowment funds held in perpetuity (see Note 3)	10,347,162	12,795,230
Donor-restricted endowment funds held in perpetuity	7,562,667	7,561,667
Purpose restricted:		
Brewster shelter	662,255	1,007,949
Community programs	253,261	402,192
Veterinary services	175,611	120,554
Dedham Shelter	50,000	-
Other	32,641	40,168
Ruth A. Safford Fund - capital (see Note 3)	38,499	44,035
Time restricted	<u>18,333</u>	<u>20,333</u>
	<u>\$ 30,511,186</u>	<u>\$ 35,096,712</u>

#### Revenue Recognition

Public support includes annual appeal contributions and grants which are recognized as revenue when received or committed by the donor. ARL reports gifts of cash and other assets as net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities and changes in net assets as net assets released from restrictions. Service fee revenue is recorded as the services are provided. All other revenue is recognized as earned.

In addition to its known interest in certain outside perpetual trusts (see Note 7), ARL is and may be a named beneficiary of wills. The amounts to be received, if any, cannot be determined and may be revocable. Therefore, they are not reflected in the accompanying financial statements until ARL receives the distribution. ARL received \$2,105,364 and \$2,727,045 in bequests from several wills during 2018 and 2017, respectively. No bequest income was appropriated for operations for the years ended December 31, 2018 and 2017.

#### Expense Allocation

Expenses related directly to a program are distributed to that program, while other expenses are allocated to programs based upon management's estimate of the percentage attributable to each function.

Certain categories of expenses are attributable to more than one program or supporting function and are allocated on a reasonable basis that is consistently applied. The expenses that are allocated are salaries, payroll taxes and benefits, which are allocated on the basis of estimates of time and effort; and occupancy, depreciation, maintenance and repair services, insurance, and office expenses, which are consistently allocated on a square footage, headcount, or time and effort basis.



## ANIMAL RESCUE LEAGUE OF BOSTON

Notes to Financial Statements  
December 31, 2018 and 2017

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### 1. OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### Advertising

ARL expenses advertising costs as they are incurred.

##### Investment Return Allocations and Spending Policy

Massachusetts follows UPMIFA. Subject to the intent of a donor, ARL may appropriate for expenditure or accumulate so much of an endowment fund as the institution determines is prudent for the uses, benefits, purposes, and duration for which the endowment fund is established. The assets in an endowment fund are donor-restricted assets until appropriated for expenditure by ARL.

Under ARL's investment policy, the Board of Directors appropriates for operations a percentage of the average market value of certain components of ARL's investment portfolio over the preceding twelve quarters. For the years ended December 31, 2018 and 2017, the Board approved appropriation was 4.75%. Transfers to operating revenues, in accordance with this policy, are reflected in the statements of activities and changes in net assets.

ARL has an investment policy which, combined with the spending rate, attempts to provide a predictable stream of returns with asset protection. Endowment assets include those assets restricted by donors that ARL must hold in perpetuity. Under ARL's investment policy and spending rate, both approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce an inflation-adjusted return in excess of the spending rate over a long period of time. Actual returns in any given year may vary.

To satisfy its long-term rate-of-return objectives, ARL relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Investment Committee, advised by a third-party investment advisor, is responsible for selecting the investment managers of ARL's portfolio. The Investment Committee's strategy is to include an array of strategies and investment managers for the portfolio in order to maximize risk adjusted returns.

As a result of UPMIFA, ARL classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. This is regarded as the "historic dollar value" of the endowment fund. The remaining portion of the donor-restricted endowment fund that is regarded as "net appreciation" is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by ARL.

##### Estimates

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

## ANIMAL RESCUE LEAGUE OF BOSTON

Notes to Financial Statements  
December 31, 2018 and 2017

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### 1. OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### Subsequent Events

Subsequent events have been evaluated through June 18, 2019, which is the date the financial statements were available to be issued. There were no events that met the criteria for recognition or disclosure in the financial statements.

##### Tax Positions

ARL accounts for uncertainty in income taxes in accordance with ASC Topic, *Income Taxes*. This standard clarifies the accounting for uncertainty in tax positions and prescribes a recognition threshold and measurement attribute for the financial statements regarding a tax position taken or expected to be taken in a tax return. ARL has determined that there are no uncertain tax positions which qualify for either recognition or disclosure in the financial statements at December 31, 2018 and 2017. ARL's information returns are subject to examination by the Federal and state jurisdictions.

### 2. INVESTMENTS

The following tables set forth, by level within the fair value hierarchy (see Note 1), ARL's investments at fair value as of December 31:

Investment Type	2018			Net Asset Value as Practical Expedient	
	Level 1	Level 2	Level 3	Total	Total
Global equities:					
Developed markets*	\$ 24,682,620	\$ -	\$ -	\$ 16,746,707	\$ 41,429,327
Emerging markets*	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,066,400</u>	<u>6,066,400</u>
Total global equities	24,682,620	-	-	22,813,107	47,495,727
Hedge funds*	-	-	-	10,855,032	10,855,032
Global fixed income:					
Corporate*	4,676,543	-	-	3,821,909	8,498,452
Other investments:					
Money market	3,179,585	-	-	-	3,179,585
Accrued investment income	<u>8,932</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,932</u>
Total	<u>\$ 32,547,680</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 37,490,048</u>	<u>\$ 70,037,728</u>

## ANIMAL RESCUE LEAGUE OF BOSTON

Notes to Financial Statements  
December 31, 2018 and 2017

### 2. INVESTMENTS (Continued)

Investment Type	2017			Net Asset Value as Practical Expedient	Total
	Level 1	Level 2	Level 3		
Global equities:					
Developed markets*	\$ 33,248,768	\$ -	\$ -	\$ 13,519,078	\$ 46,767,846
Emerging markets*	-	-	-	8,956,344	8,956,344
Total global equities	33,248,768	-	-	22,475,422	55,724,190
Hedge funds*	-	-	-	11,111,723	11,111,723
Global fixed income:					
Corporate*	4,590,054	-	-	3,969,905	8,559,959
Other investments:					
Money market	2,639,123	-	-	-	2,639,123
Accrued investment income	3,179	-	-	-	3,179
Total	\$ 40,481,124	\$ -	\$ -	\$ 37,557,050	\$ 78,038,174

\* In accordance with ASU 2015-07, certain investments that are measured at fair value using the NAV per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statements of financial position.

During 2018 and 2017, the following investment activity occurred:

	2018	2017
Net realized gains	\$ 2,718,130	\$ 3,106,348
Interest and dividends	1,042,796	1,051,150
Investment fees	(512,069)	(436,861)
Net unrealized gains (losses)	<u>(9,769,773)</u>	<u>8,906,356</u>
	(6,520,916)	12,626,993
Less - investment return appropriated for current operations (see Note 1)	<u>3,282,547</u>	<u>3,388,505</u>
Investment return reduced by appropriation for current operations	\$ <u>(9,803,463)</u>	\$ <u>9,238,488</u>

In addition to the investment activity outlined above, other investment activity included contributions and bequests and other operational transfers into and from the investment portfolio.

## ANIMAL RESCUE LEAGUE OF BOSTON

Notes to Financial Statements  
December 31, 2018 and 2017

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### 3. ENDOWMENT AND CAPITAL SPENDING FUND

Included in net assets at December 31, 2018 and 2017, are the following named funds:

#### Donor Restricted Endowments:

- **Ruth K. Howland Soles Fund** was established as a donor-restricted endowment fund held in perpetuity. Income from this fund is not donor-restricted.
- **Martha J. Atkins Fund** is an endowment recorded as a donor-restricted endowment fund held in perpetuity, with the income restricted for maintenance of a shelter on Cape Cod.
- **Grace M. Marks Fund** was established in 1993 through a bequest from the estate of Elliot P. Marks, with the income to be used in connection with the spaying or neutering of dogs and cats belonging to year-round residents of Barnstable County in Massachusetts. In 2008, the probate court in Barnstable County authorized an expansion of the bequest to include residents of southeastern Massachusetts. The balance of the fund is classified in net assets with donor restrictions and the income is also recorded as net assets with donor restrictions.
- **William L. and Eva Edgar Wright Fund** was established as a donor-restricted endowment fund held in perpetuity. Income from this fund is not donor-restricted.
- **Ruth A. Safford Fund** was originally established with donor stipulations that the money be used for the construction of an animal shelter. Using these resources, ARL constructed the Safford Memorial Shelter in 1985. Unless needed for future qualifying capital projects, the remaining funds are to be considered a donor-restricted endowment fund, with the investment income restricted for the operation and maintenance of the shelter. Since the fund may be used for future capital projects, the entire balance is considered to be with donor restrictions.
- **Selwyn A. Kudisch Fund** was established as a donor-restricted endowment fund held in perpetuity. Income from this fund is restricted to support shelter dogs.

The balance of donor restricted endowment funds as of December 31, 2018 and 2017, is as follows:

	<u>2018</u>	<u>2017</u>
Other pooled donor endowments	\$ 13,950,078	\$ 15,828,898
Ruth K. Howland Soles Fund	2,131,884	2,438,438
Martha J. Atkins Fund	776,189	887,801
Grace M. Marks Fund	709,181	811,158
William L. and Eva Edgar Wright Fund	298,222	341,104
Selwyn A. Kudisch Fund	44,275	49,498
Ruth A. Safford Fund	<u>38,499</u>	<u>44,035</u>
	<u>\$ 17,948,328</u>	<u>\$ 20,400,932</u>

## ANIMAL RESCUE LEAGUE OF BOSTON

Notes to Financial Statements  
December 31, 2018 and 2017

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### 3. ENDOWMENT AND CAPITAL SPENDING FUND (Continued)

#### Board-Designated Endowment Funds:

- **Frederick W. Potter, Jr. Fund** was established for purposes of “the alleviation of and minimizing the suffering, human abuse and neglect of animal life, both domesticated and wild, which comes within ARL’s jurisdiction”. For accounting purposes, ARL considers these stipulations entirely within the mission of ARL and classifies the principal and income of these funds as without donor restrictions.

The balance of Board-designated endowment funds at December 31, 2018 and 2017, is as follows:

	<u>2018</u>	<u>2017</u>
Other operating and unnamed funds functioning as endowment	\$ 47,531,583	\$ 52,177,629
Frederick W. Potter, Jr. Fund	<u>4,595,927</u>	<u>5,256,799</u>
	<u>\$ 52,127,510</u>	<u>\$ 57,434,428</u>

During 2017, the Board of Directors approved a transfer of \$406,262 into the capital spending fund, representing funding for depreciation. The Board of Directors also approved transfers from the capital spending fund totaling \$449,354, of which \$195,953 was executed in 2018 to reimburse 2017 capital spending.

During 2018, the Board of Directors approved a transfer of \$464,035 into the capital spending fund, representing funding for depreciation. The Board of Directors also approved transfers from the capital spending fund totaling \$379,150 to reimburse 2018 capital spending.

The activity pertaining to the capital spending fund for the years ended December 31, 2018 and 2017, is as follows:

Balance at December 31, 2016	\$ 992,555
Transfer to fund depreciation	406,262
Investment return, net of investment fees of \$5,500	(3,260)
Transfer to occur in fiscal year 2018 to reimburse additional 2017 capital spending	(195,953)
Transfer to net assets without donor restrictions to reimburse capital spending	<u>(253,401)</u>
Balance at December 31, 2017	946,203
Transfer to fund depreciation	464,035
Investment return, net of investment fees of \$6,240	12,409
Transfer to net assets without donor restrictions to reimburse capital spending	<u>(379,150)</u>
Balance at December 31, 2018	<u>\$ 1,043,497</u>

**ANIMAL RESCUE LEAGUE OF BOSTON**Notes to Financial Statements  
December 31, 2018 and 2017**3. ENDOWMENT AND CAPITAL SPENDING FUND (Continued)**

Changes in endowment net assets are as follows for the years ended December 31, 2018 and 2017:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total Endowment</u>
Endowment net assets, December 31, 2016	\$ 48,156,877	\$ 17,886,568	\$ 66,043,445
Investment return:			
Net unrealized gains	6,218,430	2,374,184	8,592,614
Net realized gains	2,207,505	849,955	3,057,460
Investment income	885,064	337,309	1,222,373
Investment fees and other	<u>(307,704)</u>	<u>(117,368)</u>	<u>(425,072)</u>
Total investment return	9,003,295	3,444,080	12,447,375
Contributions and bequests	2,727,045	6,000	2,733,045
Appropriation of endowment assets for expenditure	<u>(2,452,789)</u>	<u>(935,716)</u>	<u>(3,388,505)</u>
Sub-total	<u>9,277,551</u>	<u>2,514,364</u>	<u>11,791,915</u>
Endowment net assets, December 31, 2017	<u>57,434,428</u>	<u>20,400,932</u>	<u>77,835,360</u>
Investment return:			
Net unrealized losses	(7,120,485)	(2,555,725)	(9,676,210)
Net realized gains	1,970,171	717,229	2,687,400
Investment income	739,091	267,870	1,006,961
Investment fees and other	<u>(368,026)</u>	<u>(132,464)</u>	<u>(500,490)</u>
Total investment return	(4,779,249)	(1,703,090)	(6,482,339)
Contributions and bequests	1,879,218	126,146	2,005,364
Appropriation of endowment assets for expenditure	<u>(2,406,887)</u>	<u>(875,660)</u>	<u>(3,282,547)</u>
Sub-total	<u>(5,306,918)</u>	<u>(2,452,604)</u>	<u>(7,759,522)</u>
Endowment net assets, December 31, 2018	<u>\$ 52,127,510</u>	<u>\$ 17,948,328</u>	<u>\$ 70,075,838</u>

## ANIMAL RESCUE LEAGUE OF BOSTON

Notes to Financial Statements  
December 31, 2018 and 2017

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### 4. PLEDGES AND ACCOUNTS RECEIVABLE

Pledges and accounts receivable are expected to be received as follows at December 31:

	<u>2018</u>	<u>2017</u>
Due within one year	\$ 347,504	\$ 442,880
Due within two years	50,000	50,000
Due within three years	50,000	50,000
Due within four years	-	50,000
	<u>447,504</u>	<u>592,880</u>
Less - discount	5,152	7,475
Less - current portion	<u>347,504</u>	<u>442,880</u>
Pledges and accounts receivable, net of current portion and discount	<u>\$ 94,848</u>	<u>\$ 142,525</u>

The pledges have been discounted using 3.6% and 2.6% rates as of December 31, 2018 and 2017, respectively.

One donor's balance represents approximately 34% of the total outstanding pledges and accounts receivable at December 31, 2018 and 2017.

### 5. PENSION PLANS

#### Deferred Compensation Plan

During fiscal year 2013, ARL entered into a deferred compensation plan in accordance with Section 457(f) of the IRC with a designated member of ARL's senior management. Under the plan, ARL made available to the employee additional compensation within IRC limits. Employer contributions, if any, and related earnings vest immediately upon payment or being earned. The employee may decide to defer additional compensation in accordance with IRC limits. In 2018, this plan was made available to an additional member of ARL's senior management. Compensation expense under this agreement was \$33,500 and \$18,000 for the years ended December 31, 2018 and 2017, respectively, and is included in salaries, payroll taxes and benefits in the accompanying statements of functional expenses. At December 31, 2018 and 2017, \$291,886 and \$277,674, respectively, of deferred compensation is included in cash and equivalents and accounts payable and accrued expenses in the accompanying statements of financial position.

#### 403(b) Plan

ARL operates a voluntary defined contribution retirement plan in accordance with IRC Section 403(b). Employees may withhold contributions from their salaries on a tax-deferred basis within IRC limits. All employees who work or are scheduled to work a minimum of 1,000 hours in a twelve month period are eligible for the plan. ARL makes contributions of up to 3% of an eligible employee's salary. Employer contributions vest in accordance with the plan. For the years ended December 31, 2018 and 2017, ARL made contributions of \$111,988 and \$125,048, respectively, to the plan, which are included in salaries, payroll taxes and benefits in the accompanying statements of functional expenses.

## ANIMAL RESCUE LEAGUE OF BOSTON

Notes to Financial Statements  
December 31, 2018 and 2017

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### 6. PROPERTY AND EQUIPMENT

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

	<u>2018</u>	<u>2017</u>
Land	\$ 504,886	\$ 504,886
Buildings and improvements	10,309,268	10,058,536
Equipment	965,089	822,920
Motor vehicles	874,294	660,921
Furniture and fixtures	<u>97,422</u>	<u>97,423</u>
	12,750,959	12,144,686
Less - accumulated depreciation	<u>5,312,240</u>	<u>4,832,526</u>
	<u>\$ 7,438,719</u>	<u>\$ 7,312,160</u>

Depreciation expense on property and equipment was \$470,806 and \$420,049 for the years ended December 31, 2018 and 2017, respectively. Included in costs associated with investment in land in the accompanying statements of activities and changes in net assets was an additional \$8,908 and \$9,435 of depreciation expense for the years ended December 31, 2018 and 2017, respectively. See Note 1 for a description of ARL's accounting policies for property and equipment and depreciation.

### 7. BENEFICIAL INTEREST IN PERPETUAL TRUSTS

ARL has beneficial interests in several perpetual trusts held and invested by third party trustees for the benefit of various not-for-profit organizations. The principal, as well as annual gains or losses on the investments of each trust, are restricted in perpetuity. The interest and dividend income generated by the investments is distributed each year by trustees to the beneficiaries and is reported by ARL as income from trusts without donor restrictions in the accompanying statements of activities and changes in net assets. ARL recognized \$658,727 and \$581,161 in distributions from trusts in 2018 and 2017, respectively.

In accordance with U.S. GAAP, ARL has recorded in the accompanying financial statements the fair value (measured as fair value of the trusts' assets based on ARL's share of ownership in each trust) of its beneficial interest in the trusts as net assets with donor restrictions.

Gains and losses on investments are considered changes in the present value of expected cash flows and are recognized as changes in net assets with donor restrictions. ARL's interest in these trusts, based on the fair value of trust assets (Level 1 input) and ARL's share of ownership in the trusts (Level 3 input), was estimated at \$11,370,757 and \$13,104,584 after recording a change in the value of its interest of \$(1,733,827) and \$1,447,203 for the years ended December 31, 2018 and 2017, respectively.

Balance at December 31, 2016	\$ 11,657,381
Increase in value of interest	<u>1,447,203</u>
Balance at December 31, 2017	13,104,584
Decrease in value of interest	<u>(1,733,827)</u>
Balance at December 31, 2018	<u>\$ 11,370,757</u>



## ANIMAL RESCUE LEAGUE OF BOSTON

Notes to Financial Statements  
December 31, 2018 and 2017

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### 8. LEASES

ARL leases space under various operating leases expiring through December 2020. The facility leases require ARL to maintain certain insurance coverage and pay for its proportionate share of real estate taxes and operating expenses. Rent expense under the facility leases was approximately \$207,000 and \$195,000 for the years ended December 31, 2018 and 2017, respectively, and is included in occupancy in the accompanying statements of functional expenses.

Future minimum lease payments under these agreements for their remaining terms are as follows:

2019	\$ 146,101
2020	\$ 15,460

Certain lease agreements contain additional renewal options, which have not been exercised. ARL is also responsible for certain operating costs as defined in the lease agreements.

ARL leases certain office equipment under various operating lease agreements expiring through May 2021. These agreements require monthly payments in the amount of \$258 and quarterly payments ranging from \$327 to \$1,040. Expenses incurred under these agreements totaled \$5,513 and \$7,033 for the years ended December 31, 2018 and 2017, respectively. These expenses are included in information technology in the accompanying statements of functional expenses.

Future minimum lease payments under these agreements for their remaining terms are as follows:

2019	\$ 4,398
2020	\$ 3,096
2021	\$ 1,212

ARL entered into a capital lease in 2017 for certain computer equipment with an aggregate cost of \$68,459. The imputed interest rate under this agreement is 4.25%. The lease expires in April 2020. The capital lease liability at December 31, 2018 and 2017, is \$1,962 and \$9,500, respectively.

### 9. CONCENTRATION OF CREDIT RISK

ARL maintains its operating cash balances in Massachusetts banks. The Federal Deposit Insurance Corporation (FDIC) insures balances at each bank up to certain amounts. At certain times during the year, cash balances exceeded the insured amounts. ARL has not experienced any losses in such accounts. Management believes ARL is not exposed to any significant credit risk on its operating cash balances.

## ANIMAL RESCUE LEAGUE OF BOSTON

Notes to Financial Statements  
December 31, 2018 and 2017

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### 10. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

ARL's financial assets available within one year from the statement of financial position date for general operating expenses are as follows as of December 31, 2018:

Unencumbered financial assets	\$ 4,203,279
Accounts and pledges receivable for general expenditures due in one year or less	347,504
Payout on donor-restricted endowments for use over next twelve months	75,748
Payout on quasi-endowments for use over next twelve months	<u>3,256,707</u>
Total financial assets available to meet general expenditures over next twelve months	<u>\$ 7,883,238</u>

In addition to the \$7,883,238 of total financial assets available to meet general expenditures over the next twelve months, ARL has future expendable Board-designated reserves of \$48,437,243. ARL manages liquidity by structuring financial assets to be available as general expenditures, liabilities, and other obligations come due. ARL invests cash in excess of short-term requirements in money market funds.

### 11. RECLASSIFICATIONS

Certain amounts in the 2017 financial statements have been reclassified to conform to the 2018 presentation in relation to the adoption of ASU 2016-14 (see Note 1).