

**ANIMAL
RESCUE
LEAGUE
of BOSTON**



A champion for animals

**FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

ANIMAL RESCUE LEAGUE OF BOSTON

Contents
December 31, 2019 and 2018

	<u>Pages</u>
Independent Auditor’s Report	1
Financial Statements:	
Statements of Financial Position	2
Statements of Activities and Changes in Net Assets	3 - 4
Statements of Cash Flows	5
Statements of Functional Expenses	6 - 7
Notes to Financial Statements	8 - 24

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, 2019 and 2018, 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, 2019 and 2018, 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.

AAFCPAs, Inc.

Westborough, Massachusetts
June 17, 2020

ANIMAL RESCUE LEAGUE OF BOSTONStatements of Financial Position
December 31, 2019 and 2018

Assets	2019	2018
Current Assets:		
Cash and equivalents	\$ 4,038,530	\$ 4,502,928
Current portion of pledges and accounts receivable	384,016	347,504
Prepaid expenses and other assets	312,336	306,525
Total current assets	4,734,882	5,156,957
Pledges and Accounts Receivable, net	49,020	94,848
Investments, at fair value	81,988,122	70,037,728
Investment in Land	1,925,000	1,589,300
Property and Equipment, net	7,767,043	7,438,719
Beneficial Interest in Perpetual Trusts	13,361,431	11,370,757
Total assets	<u>\$ 109,825,498</u>	<u>\$ 95,688,309</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 1,168,369	\$ 969,073
Capital lease	-	1,962
Total liabilities	1,168,369	971,035
Net Assets:		
Without donor restrictions:		
Working capital	1,532,045	2,848,557
Property and equipment	7,767,043	7,438,719
Board designated	63,964,228	53,918,812
Total without donor restrictions	73,263,316	64,206,088
With donor restrictions	35,393,813	30,511,186
Total net assets	108,657,129	94,717,274
Total liabilities and net assets	<u>\$ 109,825,498</u>	<u>\$ 95,688,309</u>

The accompanying notes are an integral part of these statements.

Page 2

ANIMAL RESCUE LEAGUE OF BOSTON

Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Operating Revenues:			
Investment spending policy	\$ 3,332,456	\$ -	\$ 3,332,456
Services fees and other income	3,153,829	-	3,153,829
Public support	2,507,024	-	2,507,024
Net assets released from restrictions	771,597	-	771,597
Income from trusts	576,566	-	576,566
Bequests	375,000	-	375,000
	<u>10,716,472</u>	<u>-</u>	<u>10,716,472</u>
Operating Expenses:			
Program services	8,604,199	-	8,604,199
Management and general	1,565,018	-	1,565,018
Fundraising	540,714	-	540,714
	<u>10,709,931</u>	<u>-</u>	<u>10,709,931</u>
Changes in net assets from operations	<u>6,541</u>	<u>-</u>	<u>6,541</u>
Non-Operating Activities:			
Investment return, net	8,087,970	2,991,721	11,079,691
Change in beneficial interest in perpetual trusts	-	1,990,674	1,990,674
Bequests	698,642	244,510	943,152
Public support	-	447,909	447,909
Change in value of investment in land	335,700	-	335,700
Gain on disposal of assets	2,000	-	2,000
Costs associated with investment in land	(94,215)	-	(94,215)
Net assets released from restrictions	20,590	(792,187)	(771,597)
	<u>9,050,687</u>	<u>4,882,627</u>	<u>13,933,314</u>
Changes in net assets	9,057,228	4,882,627	13,939,855
Net Assets:			
Beginning of year	<u>64,206,088</u>	<u>30,511,186</u>	<u>94,717,274</u>
End of year	<u>\$ 73,263,316</u>	<u>\$ 35,393,813</u>	<u>\$ 108,657,129</u>

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>
Operating Revenues:			
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>
Operating Expenses:			
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>
Non-Operating Activities:			
Investment return, net	(7,289,165)	(2,514,298)	(9,803,463)
Change in beneficial interest in perpetual trusts	-	(1,733,827)	(1,733,827)
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)
	<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>
Net Assets:			
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

Statements of Cash Flows

For the Years Ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash Flows from Operating Activities:		
Changes in net assets	\$ 13,939,855	\$ (9,638,606)
Adjustments to reconcile changes in net assets to net cash and equivalents used in operating activities:		
Depreciation	494,608	479,714
Net realized and unrealized (gains) losses on investments	(13,670,345)	7,150,459
Change in beneficial interest in perpetual trusts	(1,990,674)	1,733,827
Change in value of investment in land	(335,700)	-
Capital grants	(20,590)	(135,000)
Gain on disposal of assets	(2,000)	(500)
Discount on pledges and other receivables	(4,172)	(2,323)
Changes in operating assets and liabilities:		
Pledges and accounts receivable	13,488	145,376
Prepaid expenses and other assets	(5,811)	(53,396)
Accounts payable and accrued expenses	199,296	(46,807)
Capital lease	(1,962)	(7,538)
Net cash used in operating activities	<u>(1,384,007)</u>	<u>(374,794)</u>
Cash Flows from Investing Activities:		
Sales of investments	8,377,160	10,100,000
Purchases of investments	(6,657,209)	(9,250,013)
Proceeds from sale of property	2,000	500
Acquisition of property and equipment	<u>(822,932)</u>	<u>(606,273)</u>
Net cash provided by investing activities	<u>899,019</u>	<u>244,214</u>
Cash Flows from Financing Activities:		
Capital grants	<u>20,590</u>	<u>135,000</u>
Net Change in Cash and Equivalents	(464,398)	4,420
Cash and Equivalents:		
Beginning of year	<u>4,502,928</u>	<u>4,498,508</u>
End of year	<u>\$ 4,038,530</u>	<u>\$ 4,502,928</u>

ANIMAL RESCUE LEAGUE OF BOSTON

Statement of Functional Expenses
For the Year Ended December 31, 2019

	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	\$ 2,262,141	\$ 2,206,331	\$ 461,353	\$ 388,629	\$ 5,318,454	\$ 1,403,004	\$ 300,645	\$ 1,703,649	\$ 7,022,103
Animal care services, equipment and supplies	196,576	682,412	15,865	456	895,309	175	35	210	895,519
Occupancy	72,721	62,254	13,490	11,677	160,142	354,881	140	355,021	515,163
Depreciation	156,959	183,461	34,033	25,466	399,919	94,689	-	94,689	494,608
Maintenance and repair services	85,388	104,423	18,227	13,640	221,678	121,097	-	121,097	342,775
Design, printing and postage	25,658	32,514	6,020	3,639	67,831	51,771	151,332	203,103	270,934
Insurance	-	-	-	-	-	253,389	-	253,389	253,389
Information technology	17,489	11,181	4,435	1,917	35,022	147,140	33,329	180,469	215,491
Travel and vehicle expense	26,845	38,640	15,971	14,235	95,691	45,735	27,671	73,406	169,097
Other expenses	16,757	41,837	330	7	58,931	68,414	1,346	69,760	128,691
Office expenses	22,883	34,831	7,063	4,687	69,464	31,267	719	31,986	101,450
Other professional services	30,660	35,648	13,218	4,885	84,411	5,422	7,533	12,955	97,366
Legal services	1,613	1,885	9,782	262	13,542	39,473	-	39,473	53,015
Audit and tax services	-	-	-	-	-	50,515	-	50,515	50,515
Advertising and promotion	9,449	11,233	1,642	1,230	23,554	3,139	12,996	16,135	39,689
Lobbying services	-	-	32,481	-	32,481	-	-	-	32,481
Conferences and meetings	5,853	9,999	1,968	1,891	19,711	2,966	4,968	7,934	27,645
Allocation of management and general	445,958	490,470	96,326	75,305	1,108,059	(1,108,059)	-	(1,108,059)	-
Total expenses	\$ 3,376,950	\$ 3,947,119	\$ 732,204	\$ 547,926	\$ 8,604,199	\$ 1,565,018	\$ 540,714	\$ 2,105,732	\$ 10,709,931

ANIMAL RESCUE LEAGUE OF BOSTON

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

	Program Services				Total Program Services	Supporting Services			Total
	Animal Care and Adoption	Veterinary Services	Animal Protection	Community Programs		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
Design, printing and postage	2,499	5,148	67,123	-	74,770	3,579	126,026	129,605	204,375
Insurance	97,226	51,871	27,282	23,612	199,991	34,109	9,083	43,192	243,183
Information technology	37,232	18,018	7,039	1,395	63,684	60,657	40,360	101,017	164,701
Travel and vehicle expense	28,947	32,072	23,035	16,633	100,687	18,770	41,948	60,718	161,405
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
Other professional services	27,641	7,444	1,524	248	36,857	58,849	52,784	111,633	148,490
Legal services	1,245	-	9,430	-	10,675	16,247	-	16,247	26,922
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
Lobbying services	-	-	32,054	-	32,054	306	-	306	32,360
Conferences and meetings	5,100	10,228	2,414	1,797	19,539	2,030	5,769	7,799	27,338
Total expenses	\$ 3,583,786	\$ 2,549,369	\$ 965,175	\$ 557,366	\$ 7,655,696	\$ 1,572,545	\$ 728,403	\$ 2,300,948	\$ 9,956,644

ANIMAL RESCUE LEAGUE OF BOSTON

Notes to Financial Statements
December 31, 2019 and 2018

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 Pronouncements

During 2019, ARL adopted ASC Topic 606, *Revenue from Contracts with Customers*, with respect to its revenue recognition policies. The core principle of the new accounting guidance is that an entity should recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The adoption of this standard did not have a significant impact on ARL's financial statements.

In 2019, ARL also adopted Accounting Standards Update (ASU) No. 2018-08, *Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The standard assists entities in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions. In addition, it clarifies whether a contribution is conditional. As a result, it enhances comparability of financial information among not-for-profit entities. Based on ARL's evaluation of its grants and contributions, the timing and amount of revenue recognized previously is consistent with how revenue is recognized under the new standard. No changes were required to previously reported revenues as a result of the adoption.

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, change in value of and 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, 2019 and 2018

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, 2019 and 2018.

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, 2019 and 2018

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, 2019 and 2018, ARL had no plans to sell investments at amounts different from NAV.

Under the provisions of ASU 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 \$5,000 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, 2019 and 2018

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 assets to the future net undiscounted cash flow expected to be generated by the asset and any estimated proceeds from the eventual disposition of the asset. 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 2019 or 2018.

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 investments 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, 2019 and 2018. 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, 2019 and 2018

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).

In 2019 ARL had an appraisal performed to determine the current value of the property, resulting in an increase in the carrying value of the property of \$335,700. No change in carrying value was recognized during 2018.

Net Assets

ARL has prepared its financial statements in accordance with 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 2019 and 2018, the Board approved \$535,007 and \$170,783, 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>2019</u>	<u>2018</u>
Funds functioning as endowment	\$ 61,239,987	\$ 52,127,510
Capital spending fund	1,336,443	1,043,497
Long-term land use and facilities planning fund	<u>1,387,798</u>	<u>747,805</u>
	<u>\$ 63,964,228</u>	<u>\$ 53,918,812</u>

ANIMAL RESCUE LEAGUE OF BOSTON

Notes to Financial Statements
December 31, 2019 and 2018

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets (Continued)

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.

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

	<u>2019</u>	<u>2018</u>
Beneficial interest in perpetual trusts (see Note 7)	\$ 13,361,431	\$ 11,370,757
Appreciation on donor-restricted endowment funds held in perpetuity (see Note 3)	13,195,425	10,347,162
Donor-restricted endowment funds held in perpetuity	7,562,667	7,562,667
Purpose restricted:		
Brewster shelter	784,101	662,255
Community programs	169,020	253,261
Veterinary services	131,554	175,611
Dedham shelter	-	50,000
Other	126,660	32,641
Ruth A. Safford Fund - capital (see Note 3)	44,622	38,499
Time restricted	<u>18,333</u>	<u>18,333</u>
	<u>\$ 35,393,813</u>	<u>\$ 30,511,186</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.

ARL records service fee income as goods or adoption, veterinary or other services are provided to clients of the shelters, veterinary clinic and mobile service units, which is when ARL has satisfied the performance obligation to its clients. Fees for goods and services are based on established fee schedules and price listings with fee reductions under limited circumstances if the client is unable to pay. Promotional discounts are offered during certain periods when a client purchases certain goods or services. Non-standard discounts are provided at the discretion of management.

ANIMAL RESCUE LEAGUE OF BOSTON

Notes to Financial Statements
December 31, 2019 and 2018

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

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 \$1,318,152 and \$2,105,364 in bequests from various wills during 2019 and 2018, respectively. Bequest income appropriated for operations was \$375,000 for the year ended December 31, 2019. No bequest income was appropriated for operations for the year ended December 31, 2018.

In accordance with ASC Sub Topic 958-605, *Revenue Recognition*, ARL must determine whether a contribution (or a promise) is conditional or unconditional for transactions deemed to be a contribution. A contribution is considered to be a conditional contribution if an agreement includes a barrier that must be overcome and either a right of return of assets or a right of release of a promise to transfer assets exists. Indicators of a barrier include a measurable performance-related barrier or other measurable barrier, a stipulation that limits discretion by the recipient on the conduct of an activity, and stipulations that are related to the purpose of the agreement. Topic 958 prescribes that ARL should not consider probability of compliance with the barrier when determining if such awards are conditional and should be reported as conditional grant advance liabilities until such conditions are met. For contributions that have been recognized prior to adoption of Topic 958, the standard is not required to be retrospectively applied.

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. In 2018 the expenses that were allocated were salaries, payroll taxes and benefits, which were allocated on the basis of estimates of time and effort; and occupancy, depreciation, maintenance and repair services, insurance, and office expenses, which were consistently allocated on a square footage, headcount, or time and effort basis. In 2019, the same expense types were allocated pro rata to programs based on direct costs.

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.

ANIMAL RESCUE LEAGUE OF BOSTON

Notes to Financial Statements
December 31, 2019 and 2018

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment Return Allocations and Spending Policy (Continued)

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, 2019 and 2018, 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.

Subsequent Events

Subsequent events have been evaluated through June 17, 2020, which is the date the financial statements were available to be issued. See Note 11 for an event that met the criteria for disclosure in the financial statements.

ANIMAL RESCUE LEAGUE OF BOSTON

Notes to Financial Statements
December 31, 2019 and 2018

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2019 and 2018. 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	2019				Total
	Level 1	Level 2	Level 3	Net Asset Value as Practical Expedient	
Global equities:					
Developed markets*	\$ 27,891,694	\$ -	\$ -	\$ 20,572,376	\$ 48,464,070
Emerging markets*	<u>764,001</u>	<u>-</u>	<u>-</u>	<u>3,748,353</u>	<u>4,512,354</u>
Total global equities	28,655,695	-	-	24,320,729	52,976,424
Hedge funds*	-	-	-	11,996,761	11,996,761
Global fixed income:					
Corporate*	5,709,515	-	-	4,129,600	9,839,115
Other investments:					
Money market	7,139,821	-	-	-	7,139,821
Accrued investment income	<u>36,001</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>36,001</u>
Total	<u>\$ 41,541,032</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 40,447,090</u>	<u>\$ 81,988,122</u>

ANIMAL RESCUE LEAGUE OF BOSTON

Notes to Financial Statements
December 31, 2019 and 2018

2. INVESTMENTS (Continued)

Investment Type	2018			Net Asset Value as Practical Expedient	Total
	Level 1	Level 2	Level 3		
Global equities:					
Developed markets*	\$ 24,682,620	\$ -	\$ -	\$ 16,746,707	\$ 41,429,327
Emerging markets*	-	-	-	6,066,400	6,066,400
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	8,932	-	-	-	8,932
Total	\$ 32,547,680	\$ -	\$ -	\$ 37,490,048	\$ 70,037,728

* 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 2019 and 2018, the following investment activity occurred:

	2019	2018
Net unrealized gains (losses)	\$ 12,935,552	\$ (9,868,589)
Interest and dividends	1,131,684	1,042,796
Net realized gains	734,793	2,718,130
Investment fees	(389,882)	(413,253)
	14,412,147	(6,520,916)
Less - investment return appropriated for current operations (see Note 1)	3,332,456	3,282,547
Investment return reduced by appropriation for current operations	\$ 11,079,691	\$ (9,803,463)

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, 2019 and 2018

3. ENDOWMENT AND CAPITAL SPENDING FUND

Included in net assets at December 31, 2019 and 2018, 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, 2019 and 2018, is as follows:

	<u>2019</u>	<u>2018</u>
Other pooled donor endowments	\$ 16,168,608	\$ 13,950,078
Ruth K. Howland Soles Fund	2,470,925	2,131,884
Martha J. Atkins Fund	899,629	776,189
Grace M. Marks Fund	821,965	709,181
William L. and Eva Edgar Wright Fund	345,649	298,222
Selwyn A. Kudisch Fund	51,316	44,275
Ruth A. Safford Fund	<u>44,622</u>	<u>38,499</u>
	<u>\$ 20,802,714</u>	<u>\$ 17,948,328</u>

ANIMAL RESCUE LEAGUE OF BOSTON

Notes to Financial Statements
December 31, 2019 and 2018

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, 2019 and 2018, is as follows:

	<u>2019</u>	<u>2018</u>
Other operating and unnamed funds functioning as endowment	\$ 55,913,154	\$ 47,531,583
Frederick W. Potter, Jr. Fund	<u>5,326,833</u>	<u>4,595,927</u>
	<u>\$ 61,239,987</u>	<u>\$ 52,127,510</u>

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.

During 2019, the Board of Directors approved a transfer of \$467,662 into the capital spending fund, representing funding for depreciation. The Board of Directors also approved transfers from the capital spending fund totaling \$206,985 to reimburse 2019 capital spending.

The activity pertaining to the capital spending fund for the years ended December 31, 2019 and 2018, is as follows:

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	1,043,497
Transfer to fund depreciation	467,662
Investment return, net of investment fees of \$6,317	32,269
Transfer to net assets without donor restrictions to reimburse capital spending	<u>(206,985)</u>
Balance at December 31, 2019	<u>\$ 1,336,443</u>

ANIMAL RESCUE LEAGUE OF BOSTONNotes to Financial Statements
December 31, 2019 and 2018**3. ENDOWMENT AND CAPITAL SPENDING FUND (Continued)**

Changes in endowment net assets are as follows for the years ended December 31, 2019 and 2018:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total Endowment</u>
Endowment net assets, December 31, 2017	\$ 57,434,428	\$ 20,400,932	\$ 77,835,360
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>
Investment return:			
Net unrealized gains	9,780,300	3,358,152	13,138,452
Net realized gains	537,416	190,253	727,669
Investment income	785,928	279,018	1,064,946
Investment fees and other	<u>(280,312)</u>	<u>(99,578)</u>	<u>(379,890)</u>
Total investment return	10,823,332	3,727,845	14,551,177
Contributions and bequests	748,142	-	748,142
Appropriation of endowment assets for expenditure	<u>(2,458,997)</u>	<u>(873,459)</u>	<u>(3,332,456)</u>
Sub-total	<u>9,112,477</u>	<u>2,854,386</u>	<u>11,966,863</u>
Endowment net assets, December 31, 2019	<u>\$ 61,239,987</u>	<u>\$ 20,802,714</u>	<u>\$ 82,042,701</u>

ANIMAL RESCUE LEAGUE OF BOSTON

Notes to Financial Statements
December 31, 2019 and 2018

4. PLEDGES AND ACCOUNTS RECEIVABLE

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

	<u>2019</u>	<u>2018</u>
Due within one year	\$ 384,016	\$ 347,504
Due within two years	50,000	50,000
Due within three years	-	50,000
	<u>434,016</u>	<u>447,504</u>
Less - discount	980	5,152
Less - current portion	<u>384,016</u>	<u>347,504</u>
Pledges and accounts receivable, net of current portion and discount	<u>\$ 49,020</u>	<u>\$ 94,848</u>

The pledges have been discounted using 2.0% and 3.6% rates as of December 31, 2019 and 2018, respectively.

One donor's balance represents approximately 23% and 34% of the total outstanding pledges and accounts receivable at December 31, 2019 and 2018, respectively.

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 both 2019 and 2018, this plan was made available to one additional member of ARL's senior management, with a total of three participants in 2019. Compensation expense under this agreement was \$44,000 and \$33,500 for the years ended December 31, 2019 and 2018, respectively, and is included in salaries, payroll taxes and benefits in the accompanying statements of functional expenses. At December 31, 2019 and 2018, \$389,803 and \$291,886, 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, 2019 and 2018, ARL made contributions of \$134,639 and \$111,988, 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, 2019 and 2018

6. PROPERTY AND EQUIPMENT

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

	<u>2019</u>	<u>2018</u>
Land	\$ 504,886	\$ 504,886
Buildings and improvements	10,905,628	10,309,268
Equipment	998,688	965,089
Motor vehicles	1,056,623	874,294
Furniture and fixtures	<u>104,291</u>	<u>97,422</u>
	13,570,116	12,750,959
Less - accumulated depreciation	<u>5,803,073</u>	<u>5,312,240</u>
	<u>\$ 7,767,043</u>	<u>\$ 7,438,719</u>

Depreciation expense on property and equipment was \$494,608 and \$470,806 for the years ended December 31, 2019 and 2018, 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 of depreciation expense for the year ended December 31, 2018. 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 \$576,566 and \$658,727 in distributions from trusts in 2019 and 2018, 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 \$13,361,431 and \$11,370,757 after recording a change in the value of its interest of \$1,990,674 and \$(1,733,827) for the years ended December 31, 2019 and 2018, respectively.

Balance at December 31, 2017	\$ 13,104,584
Decrease in value of interest	<u>(1,733,827)</u>
Balance at December 31, 2018	11,370,757
Increase in value of interest	<u>1,990,674</u>
Balance at December 31, 2019	<u>\$ 13,361,431</u>

ANIMAL RESCUE LEAGUE OF BOSTON

Notes to Financial Statements
December 31, 2019 and 2018

8. LEASES

ARL leases space under various operating leases expiring through September 2021. 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 \$209,000 and \$207,000 for the years ended December 31, 2019 and 2018, 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:

2020	\$ 196,219
2021	\$ 138,597

Certain lease agreements contain additional future renewal options, which have not been exercised.

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.

10. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

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

	<u>2019</u>	<u>2018</u>
Unencumbered financial assets	\$ 2,349,530	\$ 3,712,279
Accounts and pledges receivable for general expenditures due in one year or less	384,016	347,504
Appropriation of donor-restricted endowments for use over next twelve months	79,189	75,748
Appropriation of quasi-endowments for use over next twelve months	<u>3,387,412</u>	<u>3,256,707</u>
Total financial assets available to meet general expenditures over next twelve months	<u>\$ 6,200,147</u>	<u>\$ 7,392,238</u>

In addition to the \$6,200,147 and \$7,392,238 of total financial assets available to meet general expenditures over the next twelve months as of December 31, 2019 and 2018, respectively, ARL has future expendable Board-designated reserves of \$56,681,204 and \$48,928,243, respectively. 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.

ANIMAL RESCUE LEAGUE OF BOSTON

Notes to Financial Statements
December 31, 2019 and 2018

11. SUBSEQUENT EVENT

The COVID-19 pandemic in the United States has caused business disruption and a reduction in economic activity. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration and the impact it will have on ARL's operations and financial position. Any financial impact to the ARL, if any, cannot be reasonably estimated at this time. However, subsequent to December 31, 2019, ARL has applied for and was awarded a loan from the Paycheck Protection Program established by the Coronavirus Aid, Relief and Economic Security Act (CARES Act) in the amount of \$1,104,100. The funds will be used to pay certain payroll costs including benefits as well as rent and utilities during an eight-week period ending June 26, 2020. A portion of these funds may be forgiven, as defined in the agreement, at the end of the eight-week period and the remainder of the funds will be due with interest at 1%. The repayment will be deferred until November 23, 2020, when the note, plus interest, will be due in equal monthly payments through April 23, 2022.

12. RECLASSIFICATIONS

Certain amounts in the 2018 financial statements have been reclassified to conform to the 2019 presentation.