

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



Consolidated Financial Statements

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

For the Years Ended December 31, 2020 and 2019

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

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

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated financial statements of North Shore Animal League America, Inc. and The Pet Savers Foundation, Inc. (collectively, the "Organization"), which comprise the consolidated statements of financial position as of December 31, 2020 and 2019, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of North Shore Animal League America, Inc. and The Pet Savers Foundation, Inc. as of December 31, 2020 and 2019, and the changes in their net assets and their cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

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

A handwritten signature in dark ink that reads "Marks Paneth LLP". The signature is written in a cursive, flowing style.

New York, NY
June 24, 2021

NORTH SHORE ANIMAL LEAGUE AMERICA, INC. AND THE PET SAVERS FOUNDATION, INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
Operating cash (Notes 2D and 11)	\$ 3,191,183	\$ 3,114,331
Cash for designated purposes (Notes 2E and 11)	<u>15,633,345</u>	<u>13,477,631</u>
Total cash	18,824,528	16,591,962
Bequests receivable (Note 2O)	273,378	129,376
Program service fees receivable, net (Note 2J)	28,744	33,212
Contributions and other receivables (Notes 2I and 2R)	2,078,947	1,695,815
Prepaid expenses and other assets	478,271	609,417
Inventory (Note 2F)	703,790	684,345
Investments (Notes 2G, 2H and 4)	17,993,050	11,314,746
Property and equipment, net (Notes 2K and 5)	<u>25,585,959</u>	<u>26,288,419</u>
TOTAL ASSETS	<u>\$ 65,966,667</u>	<u>\$ 57,347,292</u>
LIABILITIES		
Accounts payable and accrued expenses	\$ 3,175,443	\$ 3,650,085
Annuity payment liability (Note 2L)	437,513	629,647
Accrued pension benefit obligation (Note 6)	5,799,799	5,806,730
Line of credit (Note 10)	-	1,850,000
Loan payable (Note 14)	<u>2,607,962</u>	<u>-</u>
TOTAL LIABILITIES	<u>12,020,717</u>	<u>11,936,462</u>
COMMITMENTS AND CONTINGENCIES (Note 13)		
NET ASSETS (Notes 2C and 7)		
Net assets without donor restrictions		
Available for operations	12,755,955	4,479,897
Net investment in property and equipment	<u>25,585,959</u>	<u>26,288,419</u>
Total net assets without donor restrictions	38,341,914	30,768,316
Net assets with donor restrictions (Notes 7 and 12)	<u>15,604,036</u>	<u>14,642,514</u>
TOTAL NET ASSETS	<u>53,945,950</u>	<u>45,410,830</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 65,966,667</u>	<u>\$ 57,347,292</u>

NORTH SHORE ANIMAL LEAGUE AMERICA, INC. AND THE PET SAVERS FOUNDATION, INC.
CONSOLIDATED STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	Year Ended December 31, 2020			Year Ended December 31, 2019		
	Without Donor Restrictions	With Donor Restrictions	Total 2020	Total 2019	Without Donor Restrictions	With Donor Restrictions
SUPPORT, PROGRAM SERVICE REVENUE AND OTHER:						
Special events revenue (net of direct expenses of \$0 and \$101,032 in 2020 and 2019, respectively) (Note 2T)	\$ 497,527	\$ 55,503	\$ 553,030	\$ 1,054,176	\$ 60,224	\$ 993,952
Bequests (Note 2O)	11,424,918	-	11,424,918	7,319,832	7,319,832	-
Contributions (Note 2M)	24,850,416	3,812,743	28,663,159	27,454,298	23,338,174	4,116,124
In-kind contributions (Note 2N)	685,591	-	685,591	555,432	555,432	-
Total support revenue	37,458,452	3,868,246	41,326,698	36,383,738	31,273,662	5,110,076
 Program service revenue (Note 2Q):						
Pet Rescue and Adoption	766,357	22,820	789,177	963,803	942,003	21,800
Humane Education	12,990	-	12,990	37,613	37,613	-
Spay/Neuter & Veterinary Care	5,939,707	-	5,939,707	7,144,791	7,144,791	-
Pet Savers Foundation	31,900	-	31,900	37,194	37,194	-
Total program service revenue	6,750,954	22,820	6,773,774	8,183,401	8,161,601	21,800
 Dividends and interest (Note 4)	311,753	15,008	326,761	463,526	448,619	14,907
Pet store sales (net of cost of goods sold of \$147,231 and \$105,697 in 2020 and 2019, respectively)	(30,234)	-	(30,234)	71,439	71,439	-
List rental income (Note 2R)	656,164	-	656,164	655,013	655,013	-
Other revenue	136,021	-	136,021	27,522	27,522	-
Net assets released from restrictions (Note 7)	2,989,929	(2,989,929)	-	-	11,436,645	(11,436,645)
Total other revenue	4,063,633	(2,974,921)	1,088,712	1,217,500	12,639,238	(11,421,738)
 TOTAL SUPPORT, PROGRAM SERVICE REVENUE AND OTHER	48,273,039	916,145	49,189,184	45,784,639	52,074,501	(6,289,862)
 OPERATING EXPENSES:						
Program Services:						
Pet Rescue and Adoption	14,150,263	-	14,150,263	13,442,053	13,442,053	-
Humane Education	5,072,205	-	5,072,205	4,986,569	4,986,569	-
Spay/Neuter and Vet Care	14,478,600	-	14,478,600	14,852,839	14,852,839	-
Pet Savers Foundation	34,490	-	34,490	232,637	232,637	-
Total program services	33,735,558	-	33,735,558	33,514,098	33,514,098	-
 Supporting Services:						
Management and general	1,568,741	-	1,568,741	1,498,211	1,498,211	-
Fundraising	5,608,404	-	5,608,404	5,581,152	5,581,152	-
Total supporting services	7,177,145	-	7,177,145	7,079,363	7,079,363	-
 TOTAL OPERATING EXPENSES	40,912,703	-	40,912,703	40,593,461	40,593,461	-
 CHANGE IN NET ASSETS FROM OPERATIONS	7,360,336	916,145	8,276,481	5,191,178	11,481,040	(6,289,862)
 OTHER CHANGES:						
Net realized and unrealized gain on investments, net of fees (Note 4)	777,033	45,377	822,410	2,525,639	2,342,771	182,868
Change in value of split-interest agreements (Note 2L)	132,784	-	132,784	(59,693)	(59,693)	-
Other components of net periodic cost (Note 6)	(479,508)	-	(479,508)	(543,140)	(543,140)	-
Pension related changes other than net periodic pension costs (Note 6)	(217,047)	-	(217,047)	(424,652)	(424,652)	-
 CHANGE IN NET ASSETS	7,573,598	961,522	8,535,120	6,689,332	12,796,326	(6,106,994)
 Net assets, beginning of year	30,768,316	14,642,514	45,410,830	38,721,498	17,971,990	20,749,508
 NET ASSETS - END OF YEAR	\$ 38,341,914	\$ 15,604,036	\$ 53,945,950	\$ 45,410,830	\$ 30,768,316	\$ 14,642,514

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

NORTH SHORE ANIMAL LEAGUE AMERICA, INC. AND THE PET SAVERS FOUNDATION, INC.
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020
(With Comparative Totals for 2019)

For the Year Ended December 31, 2020									
	Program Services					Supporting Services			
	Pet Rescue and Adoption	Humane Education	Spay/Neuter and Vet Care	Pet Savers Foundation	Total Program Services	Management and General	Fundraising	Total Supporting Services	
									Total 2020
									Total 2019
Salaries	\$ 4,623,285	\$ 1,560,452	\$ 5,855,581	\$ -	\$ 12,039,318	\$ 553,535	\$ 1,309,002	\$ 1,862,537	\$ 13,901,855
Payroll taxes and employee benefits (Note 6)	1,856,146	594,890	2,294,940	-	4,745,976	129,841	434,949	564,790	5,301,980
Salaries and Related Costs	6,479,431	2,155,342	8,150,521	-	16,785,294	683,376	1,743,951	2,427,327	19,212,621
Grants to other organizations	7,550	7,900	50	-	15,500	-	-	-	15,500
Professional fees	188,108	211,707	46,824	3,136	449,775	173,143	212,982	386,125	835,900
Other components of net periodic cost (Note 6)	115,082	57,540	115,082	-	287,704	95,902	95,902	191,804	479,508
Pet store inventory	147,231	-	-	-	147,231	-	-	-	147,231
Advertising and promotion (Note 2S)	206,926	81,282	142,041	-	430,249	-	112,546	112,546	542,795
Office expenses	325,165	111,160	314,014	380	750,719	192,531	130,081	322,612	1,073,331
Occupancy	195,103	45,493	81,914	-	322,510	52,421	52,421	104,842	427,352
Information technology	540,048	222,447	343,466	24,782	1,130,743	41,683	286,388	328,071	1,458,814
Travel	109,198	17,496	15,647	-	142,341	11,471	3,722	15,193	157,534
Conferences	920	707	385	-	2,012	-	833	833	2,845
Interest	-	-	-	-	-	29,944	-	29,944	29,944
Insurance	75,111	37,555	75,111	-	187,777	62,592	62,592	125,184	312,961
Direct response expenses	-	-	-	-	-	-	2,518,600	2,518,600	2,518,600
Program education materials	4,084,853	1,634,147	2,451,354	-	8,170,354	-	-	-	8,170,354
Animal rescue, adoption & medical (Note 2N)	1,510,657	335,723	2,425,678	-	4,272,058	8,120	11,389	19,509	4,291,567
Events and public relations	34,604	13,842	20,763	-	69,209	-	82,436	82,436	151,645
Depreciation (Note 5)	337,531	168,765	337,531	6,192	850,019	281,275	281,601	562,876	1,412,895
Bad debt expense	2,218	1,304	9,522	-	13,044	-	-	-	13,044
Other expenses	52,840	27,335	63,779	-	143,954	32,185	108,862	141,047	285,001
Subtotal	7,933,145	2,974,403	6,443,161	34,490	17,385,199	981,267	3,960,355	4,941,622	22,326,821
Total Costs	14,412,576	5,129,745	14,593,682	34,490	34,170,493	1,664,643	5,704,306	7,368,949	41,539,442
Less: Cost of direct benefit to donors	-	-	-	-	-	-	-	-	-
Less: Other components of net periodic cost (Note 6)	(115,082)	(57,540)	(115,082)	-	(287,704)	(95,902)	(95,902)	(191,804)	(479,508)
Less: Cost of Goods Sold - Pet Store	(147,231)	-	-	-	(147,231)	-	-	-	(147,231)
TOTAL EXPENSES	\$ 14,150,263	\$ 5,072,205	\$ 14,478,600	\$ 34,490	\$ 33,735,558	\$ 1,568,741	\$ 5,608,404	\$ 7,177,145	\$ 40,912,703
									\$ 40,593,461

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

NORTH SHORE ANIMAL LEAGUE AMERICA, INC. AND THE PET SAVERS FOUNDATION, INC.
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019

	For the Year Ended December 31, 2019							
	Program Services				Supporting Services			
	Pet Rescue and Adoption	Humane Education	Spay/Neuter and Vet Care	Pet Savers Foundation	Total Program Services	Management and General	Fundraising	Total Supporting Services
								Total 2019
Salaries	\$ 4,241,869	\$ 1,524,192	\$ 5,771,687	\$ -	\$ 11,537,748	\$ 508,352	\$ 1,191,856	\$ 1,700,208
Payroll taxes and employee benefits (Note 6)	1,731,189	613,888	2,405,961	-	4,751,038	129,655	421,287	550,942
Salaries and Related Costs	5,973,058	2,138,080	8,177,648	-	16,288,786	638,007	1,613,143	18,539,936
Grants to other organizations	8,500	8,500	-	-	17,000	-	-	17,000
Professional fees	129,330	98,068	179,497	203,496	610,391	156,933	195,979	352,912
Other components of net periodic cost (Note 6)	130,354	65,176	130,354	-	325,884	108,628	108,628	217,256
Pet store inventory	105,697	-	-	-	105,697	-	-	105,697
Advertising and promotion (Note 2S)	304,208	106,406	176,096	-	586,710	-	109,613	109,613
Office expenses	300,754	124,200	349,455	1,093	775,502	186,117	204,298	390,415
Occupancy	133,845	55,069	112,880	-	301,794	89,659	89,659	179,318
Information technology	453,602	194,507	286,474	21,856	956,439	30,036	237,992	268,028
Travel	193,453	44,935	29,585	-	267,973	8,887	18,261	27,148
Conferences	3,082	2,288	1,269	-	6,639	-	3,465	3,465
Interest	-	-	-	-	-	44,759	-	44,759
Insurance	73,851	36,926	73,851	-	184,628	61,543	61,543	123,086
Direct response expenses	-	-	-	-	-	-	2,448,091	2,448,091
Program education materials	3,987,964	1,598,254	2,393,113	-	7,979,331	-	-	7,979,331
Animal rescue, adoption & medical (Note 2N)	1,455,512	371,821	2,658,485	-	4,485,818	7,636	13,478	21,114
Events and public relations	57,749	23,230	34,628	-	115,607	-	280,367	280,367
Depreciation (Note 5)	276,437	138,218	276,437	6,192	697,284	230,364	230,690	461,054
Bad debt expense	578	340	2,480	-	3,398	-	-	-
Other expenses	90,130	45,727	100,941	-	236,798	44,270	175,605	219,875
Subtotal	7,705,046	2,913,665	6,805,545	232,637	17,656,893	968,832	4,177,669	5,146,501
Total Costs	13,678,104	5,051,745	14,983,193	232,637	33,945,679	1,606,839	5,790,812	7,397,651
Less: Cost of direct benefit to donors	-	-	-	-	-	-	(101,032)	(101,032)
Less: Other components of net periodic cost (Note 6)	(130,354)	(65,176)	(130,354)	-	(325,884)	(108,628)	(108,628)	(217,256)
Less: Cost of Goods Sold - Pet Store	(105,697)	-	-	-	(105,697)	-	-	-
TOTAL EXPENSES	\$ 13,442,053	\$ 4,986,569	\$ 14,852,839	\$ 232,637	\$ 33,514,098	\$ 1,498,211	\$ 5,581,152	\$ 7,079,363
								\$ 40,593,461

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

NORTH SHORE ANIMAL LEAGUE AMERICA, INC. AND THE PET SAVERS FOUNDATION, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 8,535,120	\$ 6,689,332
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	1,412,895	1,158,338
Change in value of split interest agreements	(132,784)	59,693
Bad debt expense	13,044	3,398
Net realized and unrealized gain on investments	<u>(952,948)</u>	<u>(2,654,470)</u>
Subtotal	8,875,327	5,256,291
Changes in operating assets and liabilities:		
Decrease (increase) in assets:		
Bequests receivable	(144,002)	75,873
Program service fees receivable	(8,576)	(5,853)
Contributions and other receivables	(383,132)	(496,695)
Inventory	(19,445)	126,934
Prepaid expenses and other assets	131,146	(313,466)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(474,642)	(504,607)
Annuity payment liability	(59,350)	(105,817)
Accrued pension benefit obligation	<u>(6,931)</u>	<u>537,309</u>
Net Cash Provided by Operating Activities	<u>7,910,395</u>	<u>4,569,969</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sales of investments	6,902,019	2,788,333
Purchases of investments	(12,627,375)	(2,837,206)
Purchases of property and equipment	<u>(710,435)</u>	<u>(10,491,927)</u>
Net Cash Used in Investing Activities	<u>(6,435,791)</u>	<u>(10,540,800)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from line of credit	1,000,000	1,850,000
Principal repayments of line of credit	(2,850,000)	(2,576,000)
Proceeds from loan	<u>2,607,962</u>	<u>-</u>
Net Cash Provided by (Used in) Financing Activities	<u>757,962</u>	<u>(726,000)</u>
NET INCREASE (DECREASE) IN CASH	2,232,566	(6,696,831)
Cash - beginning of year	<u>16,591,962</u>	<u>23,288,793</u>
CASH - END OF YEAR	<u>\$ 18,824,528</u>	<u>\$ 16,591,962</u>
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the year for interest	<u>\$ 29,944</u>	<u>\$ 44,759</u>

**NORTH SHORE ANIMAL LEAGUE AMERICA, INC.
AND THE PET SAVERS FOUNDATION, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

NOTE 1 – DESCRIPTION OF ORGANIZATION

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

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

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

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

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

The Foundation oversees the American Mutt-i-grees® Movement, a national program that raises awareness of the plight of shelter animals, elevates the status of mixed-breed dogs and increases shelter adoptions to reduce euthanasia. As part of this initiative, the Foundation is working in collaboration with Yale University’s School of the 21st Century to develop an innovative curriculum to educate children to build social and emotional skills and address critical behavioral issues while communicating the value of shelter animals (see Note 15).

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- A. ***Basis of Accounting and Use of Estimates*** - The Organization’s consolidated financial statements are prepared on the accrual basis of accounting. The Organization adheres to accounting principles generally accepted in the United States of America (“U.S. GAAP”). The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.
- B. ***Principles of Consolidation*** - The Organization’s accompanying consolidated financial statements include the financial statements of the League and the Foundation. The League has consolidated the Foundation pursuant to U.S. GAAP due to its financial interest and control over it. All material intercompany transactions and balances have been eliminated in the consolidation.
- C. ***Net Assets*** - U.S. GAAP requires nonprofits to maintain their net assets under the following classes:

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

With donor restrictions – Net assets subject to stipulations, including stipulations that will be met either by actions of the Organization or the passage of time, stipulations that they be maintained in perpetuity by the Organization, including any unappropriated endowment earnings. When a donor restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified and reported in the consolidated statements of activities as net assets released from restrictions.

**NORTH SHORE ANIMAL LEAGUE AMERICA, INC.
AND THE PET SAVERS FOUNDATION, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- D. **Cash Equivalents** - The Organization considers highly liquid investments purchased with maturities of three months or less to be cash equivalents.
- E. **Cash for Designated Purposes** - The Organization holds cash accounts for the purpose of fulfilling purpose restrictions set by donors. Such amounts are reflected as cash for designated purposes in the consolidated statements of financial position.
- F. **Inventory** - Inventory consists of food, drugs and other pet supplies. Inventory is valued at the lower of cost or net realizable value.
- G. **Investments** - Investments are carried at fair value. The value assigned to investments received by gift is the fair value at the date of donation. Changes in the fair value of investments are recorded as unrealized gains or losses and are reflected in the consolidated statements of activities.
- H. **Fair Value Measurements** - Fair value measurements are based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, a fair value hierarchy prioritizes observable and unobservable inputs used to measure fair value into three levels, as reported in Note 4.
- I. **Contributions Receivable** - Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met. Contributions, including unconditional promises to give, are recognized in the period received. Interest is not charged on outstanding receivables. All contributions and other receivables as of December 31, 2020 are due within one year.
- J. **Allowance for Doubtful Accounts** - The Organization determines whether an allowance for uncollectibles should be provided for program service fees receivable. Such estimates are based on management's assessment of the aged basis of its accounts, current economic conditions, subsequent receipts and historical information. Accounts receivable are written off against the allowance for doubtful accounts when all reasonable collection efforts have been exhausted. As of December 31, 2020 and 2019, there was an allowance for doubtful accounts recorded of \$25,904 and \$32,478, respectively.
- K. **Property and Equipment** - Leasehold improvements and equipment are recorded at cost less accumulated amortization and depreciation. Depreciation is provided on the straight-line method over the estimated useful lives of the assets. Leasehold improvements are amortized over the term of the lease or useful lives of the assets, whichever is shorter. The Organization's policy is to capitalize purchases greater than \$5,000 with an estimated useful life of at least three years.
- L. **Split-Interest Agreements** - The League has entered into charitable gift annuities with donors. These are agreements between a donor and the League in which the donor contributes an asset in exchange for an obligation for the League to pay a fixed amount to the donor or other designated beneficiaries for a specific period of time. At the time these agreements are entered into, a liability is recognized for the present value of the annuity obligation, the assets are recorded at fair market value and a contribution is recognized for the difference. The liability is re-calculated annually, and the adjustment is recorded as changes in value of split-interest agreements in the other changes section of the consolidated statements of activities. The split-interest agreements had a gain of \$132,784 and a loss of \$59,693, respectively, for the years ended December 31, 2020 and 2019. The discount rate and actuarial assumptions used in calculating the annuity obligation are those provided in Internal Revenue Service guidelines and actuarial tables and varied between 1.20% and 8.20% for the years ended December 31, 2020 and 2019. The League invests, manages, and administers the annuities. The portfolio of assets meets all requirements concerning permissible investments and mandated reserves as required by law.

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NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- M. **Contributions** - Unconditional contributions, including promises to give cash and other assets, are reported at fair value at the date the contribution is received. The gifts are reported as either without donor restrictions or with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. Conditional contributions, those with a measurable performance or other barrier and a right of return/release, are not included as support until the conditions are substantially met.
- N. **Contributed Goods and Services** - Contributed goods and services meeting criteria established under U.S. GAAP are reflected as both contribution revenue and expenses in the accompanying consolidated statements of activities at their estimated fair value at the date of receipt. The contributions of services are recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided. The Organization recorded contributed goods of \$685,591 and \$555,432 for the years ended December 31, 2020 and 2019, respectively.
- Donated securities acquired by gift or bequest are liquidated as soon as it is practical to do so. In addition, the Organization receives services from a large number of volunteers who donate their time to the Organization's programs, special fundraising events and management. No amounts have been recorded for these types of donated services, as they do not meet the criteria for recognition.
- O. **Bequests** - Bequests are recorded as revenues at fair value at the time an unassailable right to the gift has been established and the proceeds are measurable.
- P. **Functional Allocation of Expenses** - The consolidated financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Expenses that are allocated include occupancy, insurance, and depreciation, which are allocated on a square footage basis, as well as payroll, benefits, payroll taxes, professional services, information technology, and other, which are allocated on the basis of estimates of time and effort incurred by the League's staff members.
- Q. **Service Fees** - The League recognizes revenue from services performed at the time the services are provided, based upon agreed pricing. The performance obligation related to the delivery of services is a single delivery element. Payment is required at time of service, and as such there are no material accounts receivables associated with the service fees revenues.
- R. **List Rental Income** - The League has an agreement with a third-party where they provide mailing list information for one-time use to other organizations. The revenue is recognized at the point-in-time in which the list information is used at the pricing agreed upon in their contract. List rental income accrued at December 31, 2020 and 2019 was \$480,334 and \$263,118, respectively, and is included in contributions and other receivables on the consolidated statements of financial position.
- S. **Advertising** - Advertising fees are expensed as incurred.
- T. **Direct Costs** - The direct costs of special events include expenses for the benefit of the donor. For example, meals, facilities and rental are considered direct costs of special events.
- U. **Joint Cost Allocations** - The League conducted direct mail campaigns that included requests for contributions as well as program components. The joint costs are allocated between program and fundraising.
- V. **Reclassifications** - Certain line items in the December 31, 2019 consolidated financial statements have been reclassified to conform to the December 31, 2020 presentation. Such reclassifications had no effect on net assets previously reported.

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NOTE 3 – LIQUIDITY AND AVAILABILITY

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

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the consolidated statement of financial position date, were comprised of the following as of December 31:

	<u>2020</u>	<u>2019</u>
Financial assets at year-end:		
Cash and cash equivalents	\$ 3,191,183	\$ 3,114,331
Program service fees receivable, net	28,744	33,212
Bequests receivable	273,378	129,376
Contributions and other receivables	2,078,947	1,695,815
Investments	<u>17,993,050</u>	<u>11,314,746</u>
	23,565,302	16,287,480
Less:		
Investments held for charitable gift annuities	(2,024,457)	(1,814,946)
Investments held for endowment	<u>(969,977)</u>	<u>(909,592)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 20,570,868</u>	<u>\$ 13,562,942</u>

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

NOTE 4 – INVESTMENTS AND FAIR VALUE MEASUREMENTS

Investments consist of the following as of December 31:

	<u>2020</u>	<u>2019</u>
Equities	\$ 11,987,185	\$ 10,817,684
U.S. Treasuries	4,896,461	-
Corporate Bonds	358,199	497,062
Mutual Funds	<u>751,205</u>	<u>-</u>
	<u>\$ 17,993,050</u>	<u>\$ 11,314,746</u>

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

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

	<u>2020</u>	<u>2019</u>
Dividends and interest	\$ 326,761	\$ 463,526
Realized (loss) gain	(463,505)	223,314
Unrealized gain	1,416,453	2,431,156
Less: Investment fees	<u>(130,538)</u>	<u>(128,831)</u>
	<u>\$ 1,149,171</u>	<u>\$ 2,989,165</u>

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NOTE 4 – INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

U.S. GAAP defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. U.S. GAAP establishes a framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). In determining fair value, the Organization utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible in its assessment of fair value. These inputs also form the basis of the fair value hierarchy which is used to categorize a fair value measurement into one of three levels as follows:

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

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

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the end of the reporting period. For the years ended December 31, 2020 and 2019, there were no transfers in or out of Levels 1 or 2.

Financial assets carried at fair value at December 31, 2020 are classified as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Investments, at Fair Value			
Equities	\$11,987,185	\$ -	\$11,987,185
U. S. Treasuries	-	4,896,461	4,896,461
Corporate bonds	-	358,199	358,199
Mutual funds	751,205	-	751,205
Total Investments, at Fair Value	<u>\$12,738,390</u>	<u>\$ 5,254,660</u>	<u>\$17,993,050</u>

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NOTE 4 – INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

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

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Investments, at Fair Value			
Equities	\$10,817,684	\$ -	\$10,817,684
Corporate bonds	<u>-</u>	<u>497,062</u>	<u>497,062</u>
Total Investments, at Fair Value	<u>\$10,817,684</u>	<u>\$ 497,062</u>	<u>\$11,314,746</u>

NOTE 5 – PROPERTY AND EQUIPMENT, NET

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

	<u>2020</u>	<u>2019</u>	<u>Estimated Useful Lives</u>
Land	\$ 3,997,698	\$ 3,997,698	
Buildings and Building Improvements	30,329,393	29,856,444	10-40 years
Software	728,365	728,365	3-5 years
Furniture, Fixtures, and Equipment	2,979,069	2,848,241	5-7 years
Vehicles	<u>2,335,093</u>	<u>2,335,093</u>	5-7 years
	40,369,618	39,765,841	
Less: accumulated depreciation and amortization	<u>(14,783,659)</u>	<u>(13,477,422)</u>	
	<u>\$ 25,585,959</u>	<u>\$ 26,288,419</u>	

Depreciation expense amounted to \$1,412,895 and \$1,158,338 for the years ended December 31, 2020 and 2019, respectively. The Organization wrote off fully depreciated assets with accumulated depreciation in the amount of \$106,658 and \$285,832 for the years ended December 31, 2020 and 2019, respectively.

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

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NOTE 6 – PENSION AND OTHER BENEFIT PLANS

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

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

The net periodic pension cost for the years ended December 31, 2020 and 2019, was \$479,508 and \$543,140, respectively. The Organization contributed \$703,486 and \$430,483, respectively, to the Plan while the Plan paid \$426,608 and \$406,727 in benefits during the years ended December 31, 2020 and 2019, respectively. For the year ending December 31, 2021, the League expects to make contributions of \$599,223 to the Plan.

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

	<u>2020</u>	<u>2019</u>
Projected benefit obligation	\$ (13,482,246)	\$ (12,495,179)
Fair value of plan assets	<u>7,682,447</u>	<u>6,688,449</u>
Funded status	<u>\$ (5,799,799)</u>	<u>\$ (5,806,730)</u>
Accrued pension benefit obligation recognized in the Consolidated Statements of Financial Position	<u>\$ 5,799,799</u>	<u>\$ 5,806,730</u>

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

	<u>2020</u>	<u>2019</u>
Interest cost	\$ 402,428	\$ 461,880
Actual return on plan assets	(468,896)	(397,064)
Net amortization and deferral of net gain	<u>545,976</u>	<u>478,324</u>
Net periodic pension costs	<u>\$ 479,508</u>	<u>\$ 543,140</u>
Employer contributions	\$ 703,486	\$ 430,483
Benefits paid	426,608	406,727

As a frozen plan, the accumulated benefits obligation for the Plan was \$13,482,246 and \$12,495,179 as of December 31, 2020 and 2019, respectively.

The net actuarial loss as of December 31, 2020 and 2019 was \$4,332,929 and \$4,115,882, respectively. Other changes in Plan assets and benefit obligations recognized in net assets without restrictions for the years ended December 31 are as follows:

	<u>2020</u>	<u>2019</u>
Amortization of gain	\$ 545,976	\$ 478,324
Net loss during the year	<u>(763,023)</u>	<u>(902,976)</u>
Net amount recognized in change in net assets without restrictions	<u>\$ (217,047)</u>	<u>\$ (424,652)</u>

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NOTE 6 – PENSION AND OTHER BENEFIT PLANS (Continued)

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

	<u>2020</u>	<u>2019</u>
Discount rate used for net periodic benefit cost	2.60%	3.30%
Rate of compensation increase	N/A	N/A
Expected return on plan assets	7.0%	7.0%
Mortality table	PRI-2012	PRI-2012

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

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

2021	\$ 624,856
2022	622,375
2023	634,150
2024	635,628
2025	627,814
5 years thereafter	<u>3,264,486</u>
	<u>\$ 6,409,309</u>

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

Assets carried at fair value at December 31, 2020 are classified in the table as follows:

<u>Asset Strategy</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Equity			
Long-Term Growth - Equity	\$ -	\$ 4,046,226	\$ 4,046,226
Fixed-Income			
Intermediate Duration	-	1,500,694	1,500,694
Long Duration	-	1,942,279	1,942,279
Cash Equivalents - Money market	<u>193,248</u>	<u>-</u>	<u>193,248</u>
Total	<u>\$ 193,248</u>	<u>\$ 7,489,199</u>	<u>\$ 7,682,447</u>

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

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

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NOTE 6 – PENSION AND OTHER BENEFIT PLANS (Continued)

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

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

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

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

The League also offers a 401(k) deferred contributions pension plan, whereby all employees may make contributions pursuant to a salary reduction agreement. Matching employer contributions are discretionary. There were no employer contributions for the years ended December 31, 2020 and 2019.

The League has a 457(b) deferred compensation plan, whereby “highly compensated employees” may make contributions pursuant to a salary reduction agreement. Pursuant to Employee Retirement Income Security Act of 1974 (“ERISA”) guidelines, “highly compensated employees” are defined as a select group of management or highly compensated employees. There were no employer contributions for the years ended December 31, 2020 and 2019.

NOTE 7 – NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2020</u>	<u>2019</u>
Subject to expenditures for specific purpose:		
Unappropriated Endowment Earnings for Scholarship Fund	\$ 407,061	\$ 346,676
Lewyt Capital Fund	6,503,350	6,616,134
Lewyt Administration Fund	2,809,439	2,809,439
Bianca’s Furry Friends (“BFF”) Wellness Center	1,184,803	1,056,482
Rachael Ray Foundation Rescue Fund	1,100,000	600,000
Rachael’s Rescue	984,938	1,182,487
Rachael Ray Foundation Memory of Isaboo	960,442	-
Alex and Elizabeth Lewyt Fund	500,000	1,000,000
Lewyt Trust Medical Center Renovation	300,000	-
Ann M. Bryand Health Care Fund	114,772	241,417
Miscellaneous programs	<u>176,315</u>	<u>226,963</u>
Subtotal	15,041,120	14,079,598
Endowment principal held in perpetuity:		
Scholarship fund	372,889	372,889
Endowment fund	<u>190,027</u>	<u>190,027</u>
Total net assets with donor restrictions	<u>\$15,604,036</u>	<u>\$14,642,514</u>

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NOTE 7 – NET ASSETS WITH DONOR RESTRICTIONS (Continued)

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

	<u>2020</u>	<u>2019</u>
Rachael's Rescue Initiative	\$ 807,145	\$ 750,350
Rachael's Rescue Fund	800,000	-
Alex & Elizabeth Lewyt Fund	500,000	-
BFF Wellness Center	490,418	7,894,314
Ann M. Bryand Health Care Fund	126,645	-
Lewyt Capital Fund	112,784	2,452,524
Rachel Memory of Isaboo	39,558	-
Mobile Van Donations	-	120,000
Don & Karen LaRocca Dog Park	-	3,900
Miscellaneous programs	113,379	215,557
	<u>\$ 2,989,929</u>	<u>\$11,436,645</u>

NOTE 8 – RELATED-PARTY TRANSACTIONS

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

It is the League's intention, at the direction of its Board, to provide support for the Foundation in its efforts to save animals around the world. During 2020 and 2019, the League made grants of \$0 and \$200,000, respectively, to the Foundation, which have been eliminated for consolidation purposes.

NOTE 9 – JOINT COSTS

The Organization incurred joint costs of \$9,992,283 and \$9,774,630 for the years ended December 31, 2020 and 2019, respectively, for informational materials and activities that included fundraising appeals. Of those costs, \$2,065,446 and \$2,029,599, respectively, were allocated to fundraising expense and \$7,926,837 and \$7,745,031, respectively, were allocated to program expense.

NOTE 10 – LINE OF CREDIT

The League has a \$3,750,000 secured line of credit with Signature Bank (the "Bank") to be drawn down upon as needed for working capital purposes. The line of credit is secured by a pledge to the Bank by the Organization of all cash and/or marketable securities on deposit in an account maintained by the League with Neuberger Berman. The line of credit is available through September 8, 2021. The interest rate in effect was a variable rate per annum equal to the Bank's Prime rate minus 0.25% as of December 31, 2020 and 2019. There were no outstanding borrowings as of December 31, 2020, and \$1,850,000 as of December 31, 2019. The League did not have an outstanding balance as of June 24, 2021.

NOTE 11 – CONCENTRATIONS

Cash and cash equivalents that potentially subject the Organization to a concentration of credit risk include cash accounts with banks that exceed the Federal Deposit Insurance Corporation ("FDIC") insurance limits by approximately \$18,820,000 and \$15,856,000 as of December 31, 2020 and 2019, respectively, at two banks.

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NOTE 12 – ENDOWMENT FUNDS

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

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

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

The policy for valuing the Organization’s investments is described in Note 2H. In accordance with U.S. GAAP, any deterioration of the fair value of assets associated with donor-restricted endowment funds that falls below the level the donor requires the Organization to retain in perpetuity is to be reported in net assets with donor restrictions. The fair value of assets associated with individual donor-restricted endowment funds are all above historic dollar value as of December 31, 2020 and 2019.

Changes in endowment net assets for the year ended December 31, 2020 are as follows:

	<u>Unappropriated Earnings</u>	<u>Endowment Corpus</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 346,676	\$ 562,916	\$ 909,592
Investment fees	(9,287)	-	(9,287)
Investment income	<u>69,672</u>	<u>-</u>	<u>69,672</u>
Endowment net assets, end of year	<u>\$ 407,061</u>	<u>\$ 562,916</u>	<u>\$ 969,977</u>

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

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

NOTE 13 – COMMITMENTS AND CONTINGENCIES

- A. The League entered into an agreement with eBay Enterprises, which provides database processing services. The expense incurred under the agreement for 2020 and 2019 is \$672,000. The League is obligated to pay minimum service charges of approximately \$60,500 per month through December 31, 2021.

**NORTH SHORE ANIMAL LEAGUE AMERICA, INC.
AND THE PET SAVERS FOUNDATION, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

NOTE 13 – COMMITMENTS AND CONTINGENCIES (Continued)

- B. The Organization is subject to various claims and legal proceedings that arise in the ordinary course of its business activities. Management believes that any liability that may ultimately result from the resolution of these matters will not have a material adverse effect on the financial condition or changes in net assets of the Organization. Additionally, management believes that with respect to any pending or threatened litigation charges or claims against the Organization, after the Organization's deductible, the Organization has adequate insurance coverage to cover these claims.
- C. The Organization has no uncertain tax positions as of December 31, 2020 and 2019 in accordance with ASC Topic 740, "Income Taxes," which provides standards for establishing and classifying any tax provisions for uncertain tax positions.

NOTE 14 – LOAN PAYABLE

On April 20, 2020, the Organization received loan proceeds in the amount of \$2,607,962 under the Paycheck Protection Program ("PPP"). Established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), the PPP provides loans to qualifying businesses in amounts up to 2.5 times the business' average monthly payroll expenses. PPP loans and accrued interest are forgivable after a "covered period" (8 or 24 weeks) as long as the borrower maintains its payroll levels and uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities.

The forgiveness amount will be reduced if the borrower terminates employees or reduces salaries during the covered period. Any unforgiven portion of a PPP loan is payable over two or five years at an interest rate of 1%, with a deferral of payments for 10 months after the end of the covered period. Payments are not required to begin for 10 months after the end of the 24-week loan forgiveness covered period. The Organization is eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements during the covered period. The loan is uncollateralized and is fully guaranteed by the Federal government. The Organization intends to use PPP loan proceeds for purposes consistent with the PPP and will apply for forgiveness within 10 months of the end of the covered period.

To the extent that the Organization is not granted forgiveness, the Organization will be required to pay interest on the PPP loan at a rate of 1% per annum. If the application for forgiveness is not made within 10 months of the end of the covered period, payments of principal and interest will be required through the maturity date of April 20, 2022. The terms of the loan provide for customary events of default, including payment defaults, breach of representation of warranties, and insolvency events. The PPP loan may be accelerated upon the occurrence of a default event.

NOTE 15 – MUTT-I-GREES® MOVEMENT

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

NOTE 16 – SUBSEQUENT EVENTS

Management has evaluated events subsequent to the date of the consolidated statement of financial position through June 24, 2021, the date the consolidated financial statements were available to be issued.

**NORTH SHORE ANIMAL LEAGUE AMERICA, INC.
AND THE PET SAVERS FOUNDATION, INC.
(A Non-Profit Organization)
Supplemental Information
Consolidating Statement of Financial Position
As of December 31, 2020
(With Comparative Totals as of December 31, 2019)**

	As of December 31, 2020				2019
	North Shore Animal League	Pet Savers Foundation	Consolidating Eliminations	Consolidated Total	Consolidated Total
ASSETS					
Cash	\$ 3,138,919	\$ 52,264	\$ -	\$ 3,191,183	\$ 3,114,331
Cash for designated purposes	15,633,345	-	-	15,633,345	13,477,631
Bequests receivable	273,378	-	-	273,378	129,376
Program service fees receivable, net	28,744	-	-	28,744	33,212
Contributions and other receivables	2,116,840	7,616	(45,509)	2,078,947	1,695,815
Prepaid expenses and other assets	478,271	-	-	478,271	609,417
Inventory	703,790	-	-	703,790	684,345
Investments	17,993,050	-	-	17,993,050	11,314,746
Property and equipment, net	25,556,631	29,328	-	25,585,959	26,288,419
Total Assets	<u>\$ 65,922,968</u>	<u>\$ 89,208</u>	<u>\$ (45,509)</u>	<u>\$ 65,966,667</u>	<u>\$ 57,347,292</u>
LIABILITIES					
Accounts payable and accrued expenses	\$ 3,174,506	\$ 46,446	\$ (45,509)	\$ 3,175,443	\$ 3,650,085
Annuity payment liability	437,513	-	-	437,513	629,647
Accrued pension benefit obligation	5,799,799	-	-	5,799,799	5,806,730
Line of credit	-	-	-	-	1,850,000
Loan Payable	2,607,962	-	-	2,607,962	-
Total Liabilities	<u>12,019,780</u>	<u>46,446</u>	<u>(45,509)</u>	<u>12,020,717</u>	<u>11,936,462</u>
NET ASSETS					
Net assets without donor restrictions	38,299,152	42,762	-	38,341,914	30,768,316
Net assets with donor restrictions	<u>15,604,036</u>	<u>-</u>	<u>-</u>	<u>15,604,036</u>	<u>14,642,514</u>
Total Net Assets	<u>53,903,188</u>	<u>42,762</u>	<u>-</u>	<u>53,945,950</u>	<u>45,410,830</u>
Total Liabilities and Net Assets	<u>\$ 65,922,968</u>	<u>\$ 89,208</u>	<u>\$ (45,509)</u>	<u>\$ 65,966,667</u>	<u>\$ 57,347,292</u>

See independent auditors' report.

**NORTH SHORE ANIMAL LEAGUE AMERICA, INC.
AND THE PET SAVERS FOUNDATION, INC.
(A Non-Profit Organization)
Supplemental Information
Consolidating Statement of Activities
For the Year Ended December 31, 2020
(With Comparative Totals for 2019)**

	Year Ended December 31, 2020								
	North Shore Animal League			Pet Savers Foundation			Consolidating Eliminations	2020 Consolidated Total	2019 Consolidated Total
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total			
SUPPORT, PROGRAM SERVICE REVENUE AND OTHER:									
Special events revenue (net of direct expenses of \$0 and \$101,032 in 2020 and 2019, respectively)	\$ 497,527	\$ 55,503	\$ 553,030	\$ -	\$ -	\$ -	\$ -	\$ 553,030	\$ 1,054,176
Bequests	11,424,918	-	11,424,918	-	-	-	-	11,424,918	7,319,832
Contributions	24,827,916	3,812,743	28,640,659	22,500	-	22,500	-	28,663,159	27,454,298
In-kind contributions	685,591	-	685,591	-	-	-	-	685,591	555,432
Total support revenue	37,435,952	3,868,246	41,304,198	22,500	-	22,500	-	41,326,698	36,383,738
Program service revenue:									
Pet Rescue and Adoption	766,357	22,820	789,177	-	-	-	-	789,177	963,803
Humane Education	12,990	-	12,990	-	-	-	-	12,990	37,613
Spay/Neuter and Veterinary Care	5,939,707	-	5,939,707	-	-	-	-	5,939,707	7,144,791
Pet Savers Foundation	-	-	-	31,900	-	31,900	-	31,900	37,194
Total program service revenue	6,719,054	22,820	6,741,874	31,900	-	31,900	-	6,773,774	8,183,401
Dividends and interest	311,753	15,008	326,761	-	-	-	-	326,761	463,526
Pet store sales (net of cost of goods sold of \$147,231 and \$105,697 in 2020 and 2019, respectively)	(30,234)	-	(30,234)	-	-	-	-	(30,234)	71,439
List rental income	656,164	-	656,164	-	-	-	-	656,164	655,013
Other revenue	136,021	-	136,021	-	-	-	-	136,021	27,522
Net assets released from restrictions	2,989,929	(2,989,929)	-	-	-	-	-	-	-
Total other revenue	4,063,633	(2,974,921)	1,088,712	-	-	-	-	1,088,712	1,217,500
TOTAL SUPPORT, PROGRAM SERVICE REVENUE AND OTHER	48,218,639	916,145	49,134,784	54,400	-	54,400	-	49,189,184	45,784,639
OPERATING EXPENSES:									
Program Services:									
Pet Rescue and Adoption	14,150,263	-	14,150,263	-	-	-	-	14,150,263	13,442,053
Humane Education	5,072,205	-	5,072,205	-	-	-	-	5,072,205	4,986,569
Spay/Neuter and Vet Care	14,478,600	-	14,478,600	-	-	-	-	14,478,600	14,852,839
Pet Savers Foundation	-	-	-	34,490	-	34,490	-	34,490	232,637
Total program services	33,701,068	-	33,701,068	34,490	-	34,490	-	33,735,558	33,514,098
Supporting Services:									
Management and general	1,565,858	-	1,565,858	2,883	-	2,883	-	1,568,741	1,498,211
Fundraising	5,608,024	-	5,608,024	380	-	380	-	5,608,404	5,581,152
Total supporting services	7,173,882	-	7,173,882	3,263	-	3,263	-	7,177,145	7,079,363
TOTAL OPERATING EXPENSES	40,874,950	-	40,874,950	37,753	-	37,753	-	40,912,703	40,593,461
CHANGE IN NET ASSETS FROM OPERATIONS	7,343,689	916,145	8,259,834	16,647	-	16,647	-	8,276,481	5,191,178
OTHER CHANGES:									
Net realized and unrealized gain (loss) on investments, net of fees	777,033	45,377	822,410	-	-	-	-	822,410	2,525,639
Change in value of split-interest agreements	132,784	-	132,784	-	-	-	-	132,784	(59,693)
Other components of net periodic cost	(479,508)	-	(479,508)	-	-	-	-	(479,508)	(543,140)
Pension related changes other than net periodic pension costs	(217,047)	-	(217,047)	-	-	-	-	(217,047)	(424,652)
CHANGE IN NET ASSETS	7,556,951	961,522	8,518,473	16,647	-	16,647	-	8,535,120	6,689,332
Net assets, beginning of year	30,742,201	14,642,514	45,384,715	26,115	-	26,115	-	45,410,830	38,721,498
NET ASSETS - END OF YEAR	\$ 38,299,152	\$ 15,604,036	\$ 53,903,188	\$ 42,762	\$ -	\$ 42,762	\$ -	\$ 53,945,950	\$ 45,410,830