



Dove Lewis Emergency Animal Hospital, Inc.

Consolidated Financial Statements  
Year Ended June 30, 2024



MCDONALD JACOBS

## **Table of Contents**

INDEPENDENT AUDITOR'S REPORT	1
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	3
CONSOLIDATED STATEMENT OF ACTIVITIES	4
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES	5
CONSOLIDATED STATEMENT OF CASH FLOWS	6
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS	7

## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Dove Lewis Emergency Animal Hospital, Inc.

### **Opinion**

We have audited the accompanying consolidated financial statements of Dove Lewis Emergency Animal Hospital, Inc. (a nonprofit organization) and subsidiary, which comprise the consolidated statement of financial position as of June 30, 2024, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Dove Lewis Emergency Animal Hospital, Inc. as of June 30, 2024, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of Dove Lewis Emergency Animal Hospital, Inc. and subsidiary and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management for the Financial Statements**

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Dove Lewis Emergency Animal Hospital, Inc.'s ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Dove Lewis Emergency Animal Hospital, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Dove Lewis Emergency Animal Hospital, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

### **Report on Summarized Comparative Information**

We have previously audited Dove Lewis Emergency Animal Hospital, Inc.'s 2023 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 11, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2023, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*McDonald Jacobz, P.C.*

Portland, Oregon  
October 8, 2024

# ***Dove Lewis Emergency Animal Hospital, Inc.***

## Consolidated Statement of Financial Position

As of June 30, 2024 (with summarized financial information for the year ended June 30, 2023)

	<u>2024</u>	<u>2023</u>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and Cash Equivalents	\$ 2,082,555	\$ 1,009,781
Short-Term Investments	1,052,033	2,631,690
Accounts Receivable (Net)	318,751	467,982
Contributions Receivable (Net)	149,900	74,100
Inventories	462,860	477,119
Unemployment Trust Fund	58,865	81,591
Prepaid Expenses	450,545	419,528
<b>TOTAL CURRENT ASSETS</b>	<b><u>4,575,509</u></b>	<b><u>5,161,791</u></b>
<b>PROPERTY AND EQUIPMENT (NET)</b>	<b><u>7,697,757</u></b>	<b><u>7,876,875</u></b>
<b>Other Noncurrent Assets</b>		
Contributions Receivable (Net)	79,746	35,586
Website Development Costs (Net)	289,060	353,149
Deposits	100,000	100,000
Operating Lease Right-of-Use Asset	-	178,057
Investments and Cash Held for Endowment	861,786	700,529
<b>TOTAL OTHER NONCURRENT ASSETS</b>	<b><u>1,330,592</u></b>	<b><u>1,367,321</u></b>
<b>TOTAL ASSETS</b>	<b><u>\$ 13,603,858</u></b>	<b><u>\$ 14,405,987</u></b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current Liabilities</b>		
Accounts Payable	\$ 410,094	\$ 453,066
Deferred Revenue	479,312	562,059
Accrued Payroll Liabilities	635,397	532,866
Retirement Plan Contribution Payable	-	309,536
Operating Lease Liability	-	178,057
Mortgage Note Payable	2,518,905	2,598,505
Charitable Gift Annuities Payable	24,750	24,750
<b>TOTAL CURRENT LIABILITIES</b>	<b><u>4,068,458</u></b>	<b><u>4,658,839</u></b>
<b>Noncurrent Liabilities</b>		
Charitable Gift Annuities Payable	95,803	115,243
<b>TOTAL NONCURRENT LIABILITIES</b>	<b><u>95,803</u></b>	<b><u>115,243</u></b>
<b>TOTAL LIABILITIES</b>	<b><u>4,164,261</u></b>	<b><u>4,774,082</u></b>
<b>Net Assets</b>		
Net Assets Without Donor Restrictions:		
Undesignated	2,538,528	3,043,446
Property and Equipment (Net)	5,178,852	5,278,370
Total Net Assets Without Donor Restrictions	<u>7,717,380</u>	<u>8,321,816</u>
Net Assets With Donor Restrictions	1,722,217	1,310,089
<b>TOTAL NET ASSETS</b>	<b><u>9,439,597</u></b>	<b><u>9,631,905</u></b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 13,603,858</u></b>	<b><u>\$ 14,405,987</u></b>

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

# ***Dove Lewis Emergency Animal Hospital, Inc.***

## Consolidated Statement of Activities

Year Ended June 30, 2024 (with summarized financial information for the year ended June 30, 2023)

	<b>2024</b>			2023 Total
	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	<b>Total</b>	
<b>Revenue and Support</b>				
Medical Revenue (Net)	\$ 24,708,746	\$ -	\$ 24,708,746	\$ 23,548,923
Education Program Revenue	984,012	-	984,012	983,597
Contributions of Cash	2,484,442	850,501	3,334,943	3,384,754
Contributions of Financial Assets	2,595	35,477	38,072	379,896
Contributions of Nonfinancial Assets	62,484	19,438	81,922	88,038
Investment Income	111,959	17,399	129,358	116,955
Rental Income	18,492	-	18,492	18,492
County Stray Reimbursement	36,000	-	36,000	181,600
Hospital Operations Fees and Other Income	730,659	-	730,659	66,094
	<u>29,139,389</u>	<u>922,815</u>	<u>30,062,204</u>	<u>28,768,349</u>
Net Assets Released From Restrictions	599,064	(599,064)	-	-
<b>Total Revenue and Support</b>	<u>29,738,453</u>	<u>323,751</u>	<b><u>30,062,204</u></b>	<u>28,768,349</u>
<b>Functional Expenses</b>				
Program Services				
Clinic	24,989,908	-	24,989,908	25,846,300
Pet Loss Support	121,506	-	121,506	141,957
Animal Assisted Therapy	105,401	-	105,401	106,452
Blood Bank	199,854	-	199,854	176,833
Stray Animal and Wildlife	344,370	-	344,370	498,324
Financial Assistance	356,660	-	356,660	317,701
Education	905,068	-	905,068	935,891
Total Program Services	<u>27,022,767</u>	<u>-</u>	<u>27,022,767</u>	<u>28,023,458</u>
Supporting Services				
General and Administrative	2,271,668	-	2,271,668	2,306,217
Development	1,138,716	-	1,138,716	1,197,283
Total Supporting Services	<u>3,410,384</u>	<u>-</u>	<u>3,410,384</u>	<u>3,503,500</u>
<b>Total Functional Expenses</b>	<u>30,433,151</u>	<u>-</u>	<b><u>30,433,151</u></b>	<u>31,526,958</u>
<b>Other Income and (Expenses)</b>				
Net Gain (Loss) on Disposal of Assets	639	8,024	8,663	(51,800)
Net Unrealized Gain on Investments	89,623	80,353	169,976	159,487
<b>Total Other Income and (Expenses)</b>	<u>90,262</u>	<u>88,377</u>	<b><u>178,639</u></b>	<u>107,687</u>
Change in Net Assets	(604,436)	412,128	(192,308)	(2,650,922)
Net Assets - Beginning of Year	8,321,816	1,310,089	9,631,905	12,282,827
Net Assets - End of Year	<u>\$ 7,717,380</u>	<u>\$ 1,722,217</u>	<b><u>\$ 9,439,597</u></b>	<u>\$ 9,631,905</u>

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

# ***Dove Lewis Emergency Animal Hospital, Inc.***

## Consolidated Statement of Functional Expenses

Year Ended June 30, 2024 (with summarized financial information for the year ended June 30, 2023)

	Program Services							Supporting Services			2024 Total	2023 Total	
	Clinic	Pet Loss Support	Animal Assisted Therapy	Blood Bank	Stray Animal and Wildlife	Financial Assistance	Education	Total Program Services	General and Administrative	Development			Total Supporting Services
Salaries	\$ 14,365,970	\$ 93,071	\$ 70,065	\$ 66,640	\$ 250,529	\$ 259,471	\$ 301,939	\$ 15,407,685	\$ 1,525,028	\$ 589,914	\$ 2,114,942	\$ 17,522,627	\$ 18,155,983
Contracted Services	715,903	600	-	-	-	-	-	716,503	44,000	-	44,000	760,503	1,040,111
Payroll Taxes	1,189,090	9,011	6,211	6,170	19,714	20,417	24,919	1,275,532	134,722	47,838	182,560	1,458,092	1,403,196
Employee Benefits	1,886,979	10,891	9,302	8,081	35,441	36,705	30,629	2,018,028	169,732	36,777	206,509	2,224,537	2,530,805
Staff Recruitment	228,409	-	-	-	-	-	-	228,409	14,503	2,158	16,661	245,070	195,402
Medical Supplies	2,282,864	-	-	98,904	38,686	40,067	-	2,460,521	-	-	-	2,460,521	2,514,630
Facilities and Equipment Leases	196,642	1,557	1,557	1,557	-	-	6,229	207,542	26,350	9,343	35,693	243,235	269,310
Repairs and Maintenance	520,590	-	-	-	-	-	-	520,590	-	-	-	520,590	591,819
Property Security	-	-	-	-	-	-	-	-	-	-	-	-	45,947
Supplies and Equipment	212,393	1,021	5,845	2,719	-	-	64,310	286,288	42,314	10,326	52,640	338,928	363,253
Outside Professional Services	390,831	189	189	189	-	-	76,326	467,724	243,656	35,608	279,264	746,988	567,296
Insurance	99,191	570	570	570	-	-	1,710	102,611	9,121	2,280	11,401	114,012	77,946
Administrative	75,380	1,588	4,128	151	-	-	-	81,247	14,417	26,243	40,660	121,907	148,089
Taxes and Licenses	154,974	-	-	-	-	-	-	154,974	726	-	726	155,700	153,108
Utilities	262,120	192	922	402	-	-	690	264,326	13,102	2,422	15,524	279,850	270,904
Marketing	516,347	2,816	3,570	3,296	-	-	124,385	650,414	5,018	87,446	92,464	742,878	752,980
Fundraising Event	-	-	-	-	-	-	-	-	-	258,697	258,697	258,697	305,996
Education Event	-	-	-	-	-	-	988	988	-	-	-	988	75,028
Printing and Postage	7,917	-	3,042	11,175	-	-	2,571	24,705	1,879	3,852	5,731	30,436	34,875
Dues and Subscriptions	4,238	-	-	-	-	-	18,048	22,286	2,300	6,092	8,392	30,678	24,290
Bank Transaction Fees	775,057	-	-	-	-	-	30,320	805,377	24,800	19,720	44,520	849,897	801,260
Credit Losses	402,593	-	-	-	-	-	-	402,593	-	-	-	402,593	370,098
Depreciation and Amortization	505,770	-	-	-	-	-	222,004	727,774	-	-	-	727,774	681,180
Interest	196,650	-	-	-	-	-	-	196,650	-	-	-	196,650	153,452
<b>Total Expenses</b>	<b>\$ 24,989,908</b>	<b>\$ 121,506</b>	<b>\$ 105,401</b>	<b>\$ 199,854</b>	<b>\$ 344,370</b>	<b>\$ 356,660</b>	<b>\$ 905,068</b>	<b>\$ 27,022,767</b>	<b>\$ 2,271,668</b>	<b>\$ 1,138,716</b>	<b>\$ 3,410,384</b>	<b>\$ 30,433,151</b>	<b>\$ 31,526,958</b>

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

# ***Dove Lewis Emergency Animal Hospital, Inc.***

## Consolidated Statement of Cash Flows

Year Ended June 30, 2024 (with summarized financial information for the year ended June 30, 2023)

	<u>2024</u>	<u>2023</u>
<b>Cash Flows from Operating Activities</b>		
Change in Net Assets	\$ (192,308)	\$ (2,650,922)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and Amortization Expense	727,774	681,180
Provision for Credit Losses - Accounts Receivable	369,943	379,732
Write off of Contributions Receivable	32,650	-
Net Loss on Property and Equipment	-	10,594
Net Gain on Short-Term and Endowment Investments	(183,808)	(123,675)
Change in Fair Value of Charitable Gift Annuities Payable	5,310	6,069
Contributions Restricted for Building and Equipment Funds	(338,669)	(247,600)
Contributions with Perpetual Donor Restrictions	(80,481)	(466,799)
(Increase) Decrease in Assets		
Accounts Receivable	(220,711)	(651,310)
Contributions Receivable	(152,610)	303,766
Inventories	14,259	(42,218)
Unemployment Trust Fund	22,726	6,265
Prepaid Expenses	(31,017)	(202,868)
Increase (Decrease) in Liabilities		
Accounts Payable	(42,972)	(235,082)
Deferred Revenue	(82,747)	80,250
Accrued Payroll Liabilities	102,531	28,921
Retirement Plan Contribution Payable	(309,536)	19,327
<b>Net Cash Used in OPERATING ACTIVITIES</b>	<u><b>(359,666)</b></u>	<u><b>(3,104,370)</b></u>
<b>Cash Flows from Investing Activities</b>		
Purchases of Short-Term Investments	(261,823)	(1,525,999)
Proceeds from Short-Term Investments	1,864,030	1,323,632
Purchases of Property and Equipment	(326,652)	(146,460)
Website Development Costs	(157,915)	(237,441)
<b>Net Cash Provided by (Used in) INVESTING ACTIVITIES</b>	<u><b>1,117,640</b></u>	<u><b>(586,268)</b></u>
<b>Cash Flows from Financing Activities</b>		
Contributions Restricted for Building and Equipment Funds	338,669	247,600
Contributions with Perpetual Donor Restrictions	80,481	466,799
Payments on Mortgage Note Payable	(79,600)	(76,800)
Payments on Charitable Gift Annuities Payable	(24,750)	(24,750)
<b>Net Cash Provided by FINANCING ACTIVITIES</b>	<u><b>314,800</b></u>	<u><b>612,849</b></u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>1,072,774</b>	<b>(3,077,789)</b>
Cash and Cash Equivalents - Beginning of Year	1,009,781	4,087,570
<b>Cash and Cash Equivalents - End of Year</b>	<u><u><b>\$ 2,082,555</b></u></u>	<u><u><b>\$ 1,009,781</b></u></u>

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



# ***Dove Lewis Emergency Animal Hospital, Inc.***

## **Notes to Consolidated Financial Statements**

Year Ended June 30, 2024

### **1. Nature of Activities and Summary of Significant Accounting Policies**

#### **a. Business and Organization**

Dove Lewis Emergency Animal Hospital, Inc. (DoveLewis) is one of the premier veterinary medical service organizations in the United States and the only 24/7 not-for-profit animal emergency, critical care and specialty hospital in the Pacific Northwest. Founded in 1973, DoveLewis' mission is to care for every animal and every person who cares for them. Always. DoveLewis is open 24 hours a day, 365 days a year, and serves approximately 26,000 patients annually at its NW Portland, Oregon location.

DoveLewis' staff of 208 employees includes many board-certified specialists, including four board-certified critical care specialists, three board-certified surgeons, one board-certified internal medicine specialist, one board-certified cardiology specialist, two board-certified neurology specialists and five specialty board-certified veterinary technicians. DoveLewis is the only Veterinary Emergency and Critical Care Society (VECCS) level 1 facility in the state of Oregon and is also accredited by the American Animal Hospital Association (AAHA).

DoveLewis also serves as a nationally accredited teaching hospital through the American Association of Veterinary Clinicians (AAVC), offering advanced training for veterinarians and veterinary students in emergency and critical care. DoveLewis' teaching program includes internships in emergency and critical care medicine and externships for veterinary students. In 2011, DoveLewis developed an online education program designed to further DoveLewis' teaching mission and provide affordable educational videos to veterinary communities all over the world. Net proceeds from this paid subscription site are reinvested into DoveLewis' hospital and community programs. In 2018, DoveLewis launched a partnership with the World Small Animal Veterinary Association Foundation to mentor veterinary hospitals in Africa.

In addition to expert medical care, DoveLewis offers many unique donor-funded community programs designed to strengthen the human-animal bond and support the animal-loving community. These programs extend the reach of DoveLewis' expertise. The Pet Loss Support Program provides group support sessions and memorial workshops. In 2020, DoveLewis expanded this program to develop proactive initiatives to address the mental health and well-being needs of its staff. DoveLewis' Blood Bank, one of the largest volunteer-based animal blood banks in the nation, provides blood products by relying on a dedicated team of canine and feline blood donors from within the community. DoveLewis offers stabilizing care to thousands of injured strays, lost pets, and wounded wildlife through the Stray and Lost Animal Program and the Wildlife Program. The Stray and Lost Animal Program also helps reunite families with their lost pets via microchip scanning and by utilizing an online public forum. The Velvet Assistance Fund offers financial assistance to qualifying low-income clients to help cover the cost of medical treatment in an emergency, and the Charlie Fund offers financial assistance to qualifying cases of animal abuse. DoveLewis also runs the Portland Area Canine Therapy Teams (PACTT), which provides animal-assisted therapy visits to the community from highly skilled and certified teams.

Revenue and support for the Organization is generated primarily from fees charged for medical services, online educational subscription services, special events, and contributions from individuals, corporations, and foundations.

#### **b. Principles of Consolidation**

The accompanying consolidated financial statements as of and for the years ended June 30, 2024 and 2023 include the accounts of DoveLewis and its wholly-owned subsidiary, Dove American LLC (collectively, "the Organization"). All significant intercompany accounts and transactions have been eliminated in consolidation.

# ***Dove Lewis Emergency Animal Hospital, Inc.***

## Notes to Consolidated Financial Statements

Year Ended June 30, 2024

### **1. Nature of Activities and Summary of Significant Accounting Policies (Continued)**

#### **c. Financial Statement Presentation**

The Organization reports information regarding its consolidated financial position and activities according to two classes of net assets, those with donor restrictions and those without donor restrictions. Net assets with donor restrictions include amounts restricted for specified purposes, restricted by the passage of time or restricted in perpetuity requiring the assets to be permanently maintained.

Expenses are reported as decreases in net assets without donor restrictions. Revenues earned are reported as increases in net assets without donor restrictions. Gains and losses on investments and contributions are reported as increases or decreases in net assets without donor restrictions unless the use is restricted by explicit donor stipulation or by law. Expirations of restrictions on net assets (for example, the donor stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions.

The consolidated financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in accordance with accounting principles generally accepted in the United States of America (GAAP). Accordingly, such information should be read in conjunction with the Organization's consolidated financial statements for the year ended June 30, 2023, from which the summarized information was derived.

#### **d. Recently Adopted Accounting Pronouncements**

As of July 1, 2023, the Organization adopted Accounting Standards Update (ASU) No. 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which replaces the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss (CECL) methodology. The CECL model is applicable to the measurement of credit losses on financial assets measured at amortized cost. Financial assets held by the Organization that are subject to the guidance in FASB ASC 326 include accounts receivable. CECL requires entities to measure all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. This standard provides financial statement users with more decision-useful information about the expected losses on financial instruments. The adoption did not result in an effect on amounts reported in the statement of financial position and statement of activities for 2024.

#### **e. Basis of Accounting**

The Organization follows the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned, and expenses are recorded when incurred.

Revenue is measured based on consideration specified in contracts with customers. The Organization recognizes revenue when it satisfies a performance obligation by transferring control over a product or service to a customer. Revenue from performance obligations satisfied at a single point in time includes medical services and special events. Revenue from performance obligations satisfied over a period of time is derived from the sale of online educational subscription services.

# ***Dove Lewis Emergency Animal Hospital, Inc.***

## **Notes to Consolidated Financial Statements**

Year Ended June 30, 2024

### **1. Nature of Activities and Summary of Significant Accounting Policies (Continued)**

#### **e. Basis of Accounting (Continued)**

Medical revenue is recognized at the time the medical treatments are performed. Deposits received from clients for medical treatments to be performed are recorded as deferred revenue and recognized as revenue once the medical treatments have been performed.

Revenue from the sale of online educational subscription services is measured using the output method. It is recorded as deferred revenue and recognized ratably over the subscription period, which is usually one year. Revenue from the sale of other educational products is recognized at the point of sale, which is when control transfers to the customer.

Revenue from event ticket sales is recorded as deferred revenue and is recognized during the month in which the event takes place, which is when services are considered to have been provided.

The Organization does not offer any significant financing terms because payment for all sources of revenue is due either at the point of sale or shortly thereafter.

#### **f. Use of Estimates**

The preparation of consolidated financial statements in accordance with 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 consolidated financial statements. Assumptions also affect the reported amounts of revenue and expenses during the financial statement period. Actual results could differ from these estimates and may impact future periods.

#### **g. Cash and Cash Equivalents**

For the purpose of reporting cash flows, the Organization considers all liquid investments having initial maturities of three months or less at the time of purchase to be cash and cash equivalents.

#### **h. Fair Value Measurements**

GAAP requires the Organization to disclose the valuation techniques, types of inputs, and fair value hierarchy for all financial assets and liabilities, and certain non-financial assets and liabilities, that are being measured and reported at fair value on a recurring or non-recurring basis. Items carried at fair value on a recurring basis consist of short-term and long-term investments, and charitable gift annuities payable. The levels of the hierarchy are described below:

Level 1: Observable inputs such as quoted prices in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly; these include quoted prices for similar assets or liabilities in active markets and quoted prices for identical or similar assets or liabilities in markets that are not active.

Level 3: Unobservable inputs in which there is little or no market data available, which require the reporting entity to develop its own assumptions.

# ***Dove Lewis Emergency Animal Hospital, Inc.***

## Notes to Consolidated Financial Statements

Year Ended June 30, 2024

### 1. Nature of Activities and Summary of Significant Accounting Policies (Continued)

#### h. Fair Value Measurements (Continued)

The following table presents information about the Organization's financial assets and liabilities measured at fair value on a recurring basis as of June 30, 2024 and 2023 and indicates the fair value hierarchy of the valuation techniques utilized by the Organization to determine such fair value:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<b>2024</b>			
Short-Term Investments			
Certificates of Deposits	\$ 249,858	\$ -	\$ -
Mutual Funds	768,501	-	-
Other Investments	33,674	-	-
Total Short-Term Investments	<b>1,052,033</b>	-	-
Investments and Cash Held for Endowment			
Cash	\$ 30,354	\$ -	\$ -
Mutual Funds	815,253	-	-
Other Investments	16,179	-	-
Total Investments and Cash Held for Endowment	<b>861,786</b>	-	-
Charitable Gift Annuities Payable	-	<b>(120,553)</b>	-
<b>2023</b>			
Short-Term Investments			
Certificates of Deposits	\$ 1,908,963	\$ -	\$ -
Mutual Funds	688,919	-	-
Other Investments	33,808	-	-
Total Short-Term Investments	<b>2,631,690</b>	-	-
Investments and Cash Held for Endowment			
Cash	\$ 17,192	\$ -	\$ -
Mutual Funds	668,975	-	-
Other Investments	14,362	-	-
Total Investments and Cash Held for Endowment	<b>700,529</b>	-	-
Charitable Gift Annuities Payable	-	<b>(139,993)</b>	-

Short-term and endowment investments are valued using the market approach, for which values are determined by quoted market prices in active markets for identical assets.

The Organization uses inputs, including mortality tables and an investment return assumption as provided by the American Council on Gift Annuities, to determine the fair value of the charitable gift annuities payable. Management has reviewed and evaluated the information and agrees with the valuation methods and assumptions used in determining fair value. In accordance with Oregon Revised Statutes 731.038, the Organization maintains reserves in amounts sufficient to make all payments as required under the annuity agreements. The present value of the Organization's interest in the charitable gift annuities payable was determined by applying a fixed interest rate of 4%.

# ***Dove Lewis Emergency Animal Hospital, Inc.***

## **Notes to Consolidated Financial Statements**

Year Ended June 30, 2024

### **1. Nature of Activities and Summary of Significant Accounting Policies (Continued)**

#### **i. Accounts Receivable and Allowance for Credit Losses**

Accounts receivable consist primarily of medical fees receivable and are presented net of an allowance for credit losses, which is an estimate of amounts that may be collectible. In determining the amount of the allowance as of the balance sheet date, the Organization develops a loss rate for each risk pool. This loss rate is based on management's historical collection experience, adjusted for management's expectations about current and future economic conditions.

Management believes that the historical loss information it has compiled is a reasonable base on which to determine expected credit losses for trade receivables held at June 30, 2024 and 2023 because the composition of the receivables at those dates are consistent with that used in developing the historical credit-loss percentages (i.e., the similar risk characteristics of its customers and its lending practices have not changed significantly over time). Additionally, management has determined that the current, reasonable and supportable forecasted economic conditions are consistent with the economic conditions included in the historical information. As a result, the historical loss rates have not been adjusted for differences in current conditions or forecasted changes.

The Organization writes off accounts receivable when the Organization determines that a balance is uncollectible and no longer actively pursues collection of the receivable.

#### **j. Inventories**

Inventories consist of medical supplies, excluding those that are on the hospital floor and are used solely to administer treatments. Inventories are valued at the lower of cost or net realizable value. To determine the value, the Organization uses the replacement cost method, which approximates the first-in, first-out method. Management believes that this method most accurately reflects the economic value of its inventories.

#### **k. Unemployment Trust Fund**

Pursuant to Federal law, the Organization has opted out of the state unemployment insurance tax system and has become a reimbursing employer. The Organization has established a trust, managed exclusively by the 501(c) Agencies Trust, to make such reimbursements. Trust member reserve accounts are individually owned and held. Trust funds are invested conservatively and are fully insured.

#### **l. Property and Equipment**

Acquisitions of property and equipment in excess of \$5,000 are capitalized. Property and equipment is recorded at cost when purchased and at fair value when acquired by gift. Major additions and improvements are capitalized. Replacements, maintenance, and repairs which do not upgrade or extend the life of the respective assets are all expensed as incurred.

Equipment under financing lease agreements and leasehold improvements are amortized over the lesser of the term of the related lease or the estimated useful life of the asset. Such amortization, when applicable, is included in depreciation and amortization expense in the accompanying consolidated financial statements. Depreciation of property and equipment is computed using the straight-line method over the estimated useful lives of the major classes of assets as follows:

Building and Improvements	5 - 39	years
Office Equipment	3 - 7	years
Medical Equipment	3 - 10	years

# ***Dove Lewis Emergency Animal Hospital, Inc.***

## Notes to Consolidated Financial Statements

Year Ended June 30, 2024

### **1. Nature of Activities and Summary of Significant Accounting Policies (Continued)**

#### **m. Leases**

The Organization determines if an arrangement is or contains a lease at inception. A contract is (or contains) a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is defined under FASB ASC Topic 842, *Leases*, as having both the right to obtain substantially all of the economic benefits from use of the asset and the right to direct the use of the asset. Management only reassesses its determination if the terms and conditions of the contract are changed. Right-of-use (ROU) assets and lease liabilities reflect the present value of the future minimum lease payments over the lease term. Lease terms may include options to extend or terminate certain leases. The value of a lease extension or early termination is reflected in the valuation if it is reasonably certain management will exercise an option to extend or terminate a lease. Operating lease expense is recognized on a straight-line basis over the lease term. The Organization does not report ROU assets and lease liabilities for its short-term leases (leases with an term of 12 months or less). Instead, short-term leases are reported as lease expense on a straight-line basis over the lease term. Lease and non-lease components of medical equipment agreements are accounted for separately.

#### **n. Contributions of Cash and Financial Assets**

Contributions received are recorded as increases in net assets with or without donor restrictions, depending on the absence or existence and nature of any donor restrictions. When a restriction expires, donor restricted contributions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restrictions. Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions of stock or other financial assets are recorded as revenue and support when the asset has been transferred to the Organization. The value of contributed stock or other financial assets is calculated at the median market price on the date of transfer.

#### **o. 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 interest rates applicable to the current period. Amortization of the discounts is included in contributions in the accompanying consolidated financial statements. Conditional promises to give are not included as support until the conditions are substantially met.

The Organization uses the allowance method to determine uncollectible contributions receivable. The allowance is based on prior years' experience and management's analysis of specific promises to give.

#### **p. Contributions of Nonfinancial Assets**

The Organization's policy related to contributions of nonfinancial assets is to utilize the assets to carry out the mission of the Organization. If a donated asset cannot be utilized in the normal course of business, the asset will be sold at fair value as determined by a specialist or by appraisal, depending on the type of asset. Contributed materials and supplies are recorded as revenue and support at their estimated fair value upon receipt. Contributed services are recorded as revenue and support at their estimated fair value only if such services create or enhance nonfinancial assets or would have been purchased if not provided by donation, require specialized skills, and are provided by individuals possessing such specialized skills.

# ***Dove Lewis Emergency Animal Hospital, Inc.***

## **Notes to Consolidated Financial Statements**

Year Ended June 30, 2024

### **1. Nature of Activities and Summary of Significant Accounting Policies (Continued)**

#### **q. Website Development**

Website development costs are recorded as follows: (1) costs incurred in the planning stage, which include developing the project plan, determining functionalities of the website, conceptually formulating graphics and content, and addressing legal issues such as copyrights and trademarks, are expensed as incurred; (2) costs incurred to create the website application, infrastructure, and graphics are capitalized; (3) costs incurred for upgrades and enhancements that increase functionality are capitalized and (4) costs incurred to develop ongoing content are expensed as incurred. Capitalized costs are amortized on a straight-line basis over the estimated useful life and are reviewed annually for impairment.

#### **r. Expense Classification**

The costs of providing the various programs and activities of the Organization have been summarized on a functional basis in the consolidated statement of activities. The consolidated statement of functional expenses presents the natural classification of expenses by function. Directly identifiable expenses are charged to programs and supporting services. Expenses relating to more than one function are charged to the programs and supporting services based on staffing ratios, and certain managers have their salaries allocated based on time studies. Staffing ratios and time studies are updated annually. General and administrative expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

#### **s. Advertising**

Advertising costs are expensed as incurred and are included in marketing expense in the consolidated statement of functional expenses. Advertising expenses amounted to \$721,659 and \$705,980 for the years ended June 30, 2024 and 2023, respectively.

#### **t. Income Taxes**

DoveLewis has been approved as a tax-exempt organization under Internal Revenue Code Section 501(c)(3) and applicable state law. During the years ended June 30, 2024 and 2023, DoveLewis earned unrelated business income; however, the tax related to this income is insignificant to the accompanying consolidated financial statements and is expensed when paid.

Dove American LLC is a limited liability company. In December 2008, DoveLewis became the sole member of this entity, and it is therefore treated as a disregarded entity for tax purposes.

Income tax positions that meet a more-likely-than-not recognition threshold are measured at the largest amount of income tax benefit that is more than 50 percent likely of being realized upon settlement with the applicable taxing authority. The portion of the benefits associated with income tax positions taken that exceeds the amount measured as described above, if any, would be reflected as a liability for unrecognized income tax benefits in the consolidated statements of financial position, along with any associated interest and penalties that would be payable to the taxing authorities upon examination. Interest and penalties associated with unrecognized income tax benefits would be classified as additional income taxes in the consolidated statement of activities. There were no unrecognized income tax benefits, nor any interest and penalties associated with unrecognized income tax benefits, accrued or expensed as of and for the years ended June 30, 2024 and 2023.

# ***Dove Lewis Emergency Animal Hospital, Inc.***

## Notes to Consolidated Financial Statements

Year Ended June 30, 2024

### **1. Nature of Activities and Summary of Significant Accounting Policies (Continued)**

#### **t. Income Taxes (Continued)**

The Organization files income tax returns in the U.S. Federal and Oregon jurisdictions. Cash paid for income taxes during the years ended June 30, 2024 and 2023 was \$726 and \$954, respectively.

### **2. Liquidity and Availability of Financial Assets**

The Organization has a liquidity management policy that specifies the maintenance of an operating reserve and structures financial assets to be available as general expenditures, liabilities, and other obligations come due. The Organization has financial assets that consist of cash and cash equivalents, short-term investments and receivables. Financial assets available for general expenditures within one year of the consolidated statements of financial position are as follows as of June 30:

	<u>2024</u>	<u>2023</u>
Financial Assets	<b>\$ 3,603,239</b>	\$ 4,200,745
Less cash reserved for:		
Mortgage Note Payable Covenant Requirement	<b>(750,000)</b>	(750,000)
Financial Assistance in Future Periods	-	(54,375)
Equipment Fund	<b>(16,325)</b>	(15,325)
Building Fund	<b>(436,121)</b>	(239,860)
Cash and Investments Held for Charitable Gift Annuities	<b>(120,553)</b>	(139,993)
Less contributions receivable restricted for:		
Equipment Fund	<b>(2,000)</b>	(25,000)
Building Fund	<b>(92,400)</b>	(38,300)
<b>Financial Assets Available Within One Year</b>	<b><u>\$ 2,185,840</u></b>	<b><u>\$ 2,937,892</u></b>

### **3. Endowment**

The Organization's endowment consists of donor-restricted funds. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

#### Interpretation of Relevant Law

The Board of Directors (the Board) of the Organization has interpreted Oregon's Uniform Prudent Management of Institutional Funds Act (UPMIFA or the Act) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as net assets with perpetual 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.



# ***Dove Lewis Emergency Animal Hospital, Inc.***

## Notes to Consolidated Financial Statements

Year Ended June 30, 2024

### **3. Endowment (Continued)**

The remaining portion of the donor-restricted endowment fund that is not classified as net assets with perpetual restrictions is classified as net assets with expiring restrictions until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by the Act.

In accordance with UPMIFA, the Organization considers the following factors in deciding to appropriate or accumulate donor-restricted endowment funds:

- general economic conditions;
- possible effect of inflation or deflation;
- expected tax consequences, if any, of investment decisions or strategies;
- the role that each investment or course of action plays within the overall investment portfolio;
- expected total return from the income and appreciation of investments;
- the needs of the organization and the fund to make distributions and preserve capital; and,
- an asset's special relationship or special value, if any, to the organization's purposes.

Changes in endowment net assets for the years ended June 30, 2024 and 2023 are as follows:

	With Expiring Restrictions	With Perpetual Restrictions	Total
Endowment net assets -			
June 30, 2022	\$ -	\$ 154,591	\$ 154,591
Investment return:			
Investment income, net	15,624	-	15,624
Unrealized gains, net	66,671	-	66,671
Contributions	-	466,799	466,799
Other changes	(3,156)	-	(3,156)
Total changes	<u>79,139</u>	<u>466,799</u>	<u>545,938</u>
Endowment net assets -			
June 30, 2023	<u>79,139</u>	<u>621,390</u>	<u>700,529</u>
Investment return:			
Investment income, net	<b>22,642</b>	-	<b>22,642</b>
Unrealized gains, net	<b>80,353</b>	-	<b>80,353</b>
Contributions	-	<b>80,481</b>	<b>80,481</b>
Other changes	<b>2,781</b>	-	-
Total changes	<u><b>105,776</b></u>	<u><b>80,481</b></u>	<u><b>186,257</b></u>
Endowment net assets -			
June 30, 2024	<u><b>\$ 184,915</b></u>	<u><b>\$ 701,871</b></u>	<u><b>\$ 886,786</b></u>
Endowment Investments			<b>861,786</b>
Endowment Pledge			<u><b>25,000</b></u>
			<u><b>\$ 886,786</b></u>

# ***Dove Lewis Emergency Animal Hospital, Inc.***

## Notes to Consolidated Financial Statements

Year Ended June 30, 2024

### **3. Endowment (Continued)**

#### Return Objectives and Risk Parameters

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity. Under this policy, as approved by the board of directors, the endowment assets are invested in a manner that is intended to produce results while assuming a moderate level of investment risk.

#### Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Organization 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 Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

#### Spending Policy

The Organization has established a spending policy that allows for appropriation of up to 4.5% of the endowment balances based on the 12-quarter rolling average. As of the date of the report, the Organization plans to allow the endowment to grow before spending commences.

### **4. Accounts Receivable**

Accounts receivable consist of the following as of June 30:

	<u>2024</u>	<u>2023</u>
Medical Services	\$ <b>391,248</b>	\$ 502,785
Other Receivables	<b>1,021</b>	49,958
	<b>392,269</b>	552,743
Less allowance for credit losses	<b>(73,517)</b>	(84,762)
<b>Accounts Receivable (Net)</b>	<b>\$ 318,751</b>	<b>\$ 467,982</b>

#### **Allowance for Credit Losses**

Balance, beginning of the year	\$ <b>(84,762)</b>
Provisions for credit losses	<b>(357,985)</b>
Write-offs	<b>381,188</b>
Recoveries	<b>(11,958)</b>
<b>Balance, end of the year</b>	<b>\$ (73,517)</b>

# ***Dove Lewis Emergency Animal Hospital, Inc.***

## Notes to Consolidated Financial Statements

Year Ended June 30, 2024

### **5. Contributions Receivable**

The Organization had the following contributions receivable as of June 30:

	<u>2024</u>	<u>2023</u>
Building Fund	\$ 210,800	\$ 76,400
Equipment Fund	4,000	25,000
Other Restricted Funds	23,000	10,500
Unrestricted Contributions	<u>1,500</u>	<u>300</u>
	<b>239,300</b>	112,200
Less allowance for uncollectible pledges	-	-
Less discount to present value	<u>(9,654)</u>	<u>(2,514)</u>
<b>Contributions Receivable (Net)</b>	<b><u>\$ 229,646</u></b>	<b><u>\$ 109,686</u></b>
Amounts due in		
Less than one year	\$ 149,900	\$ 74,100
One to five years	<u>79,746</u>	<u>35,586</u>
<b>Contributions Receivable (Net)</b>	<b><u>\$ 229,646</u></b>	<b><u>\$ 109,686</u></b>

Contributions receivable due in more than one year are discounted at the rate of 7.34% and 7.07% as of June 30, 2024 and 2023, respectively.

### **6. Property and Equipment**

Property and equipment consists of the following as of June 30:

	<u>2024</u>	<u>2023</u>
Land	\$ 888,982	\$ 888,982
Buildings	5,472,253	5,472,253
Building Improvements	3,427,708	3,427,708
Office and Computer Equipment	466,207	419,586
Medical Equipment	<u>2,013,034</u>	<u>1,778,118</u>
<b>Total Property and Equipment</b>	<b>12,268,184</b>	11,986,647
Less accumulated depreciation	<u>(4,570,427)</u>	<u>(4,109,772)</u>
<b>Property and Equipment (Net)</b>	<b><u>\$ 7,697,757</u></b>	<b><u>\$ 7,876,875</u></b>

Depreciation expense totaled \$505,770 and \$502,914 for the years ended June 30, 2024 and 2023, respectively.

# ***Dove Lewis Emergency Animal Hospital, Inc.***

## Notes to Consolidated Financial Statements

Year Ended June 30, 2024

### **7. Website Development Costs**

Website development costs consist of the following as of June 30:

	<u>2024</u>	<u>2023</u>
Website Development Costs	<b>\$ 1,152,836</b>	\$ 994,921
Less accumulated amortization	<b>(863,776)</b>	(641,772)
<b>Website Development Costs (Net)</b>	<b>\$ 289,060</b>	\$ 353,149

Amortization expense amounted to \$222,004 and \$178,266 for the years ended June 30, 2024 and 2023, respectively, and is included in depreciation and amortization expense in the accompanying consolidated statement of functional expenses.

### **8. Charitable Gift Annuities Payable**

The Organization holds charitable gift annuity contracts with multiple donors, whereby in exchange for a gift, the Organization is obligated to provide quarterly annuity payments to the donors for life. As of June 30, 2024 and 2023, total assets held for charitable gift annuities of \$120,553 and \$139,993, respectively, are included in cash and cash equivalents and short-term investments in the consolidated statements of financial position. The related charitable gift annuities payable is recognized at the actuarially computed present value of the annuity obligation. Upon the death of all donors involved in an annuity contract, the liability for the annuity is reversed and is recorded as revenue without donor restriction. No new charitable gift annuity contracts were established during the years ended June 30, 2024 and 2023.

### **9. Mortgage Note Payable**

As of June 30, 2024 and 2023, the Organization has a mortgage note payable to a financial institution (the Mortgage Note). As of June 30, 2023 interest was computed at a variable rate equal to 2.0% plus the one-month Secured Overnight Financing Rate (SOFR). As of June 30, 2024, interest was computed at a variable rate equal to 2.0% plus the one-month Secured Overnight Financing Rate (SOFR). As of June 30, 2024, SOFR was 5.34% and as of June 30, 2023 SOFR was 5.09%. Cash paid for interest during the years ended June 30, 2024 and 2023 was \$196,650 and \$148,818, respectively.

The Mortgage Note agreement, as amended, is a term loan with a maturity date of June 30, 2024. Required monthly principal payments range from \$5,700 to \$6,700 with a balloon payment of all unpaid principal and interest due upon maturity. Real property in Portland, Oregon has been pledged as security. The loan agreement contains certain financial covenants which were met as of June 30, 2024, except for the balloon payment. In anticipation of needing additional time to refinance the balloon payment due on June 30, 2024, the Organization requested and received an extension of the balloon payment due date to October 31, 2024.

On August 8, 2024, the Organization refinanced the Mortgage Note with a term loan at a new financial institution. The new mortgage note payable includes additional funds for capital improvements, resulting in a principal balance of \$4,500,000. The loan matures on August 8, 2029 and bears a fixed interest rate of 6.382% through August 8, 2029, at which point the interest rate is adjusted to the higher of 6.382% or the then-current Federal Home Loan Bank ("FHLB") five year Fixed Rate Advances rate plus a margin of 2.750%. The loan agreement contains certain annual financial covenants.

# ***Dove Lewis Emergency Animal Hospital, Inc.***

## Notes to Consolidated Financial Statements

Year Ended June 30, 2024

### **10. Net Assets with Donor Restrictions**

Net assets with donor restrictions are available for the following purposes as of June 30 :

	<u>2024</u>	<u>2023</u>
Financial Assistance	\$ <b>168,185</b>	\$ 354,375
Equipment and Building	<b>667,246</b>	255,185
Earnings on Endowment	<b>184,915</b>	79,139
<b>Total Net Assets with Expiring Donor Restrictions</b>	<b>1,020,346</b>	688,699
<b>Net Assets with Perpetual Donor Restrictions</b>	<b>701,871</b>	621,390
<b>Total Net Assets with Donor Restrictions</b>	<b><u>\$ 1,722,217</u></b>	<b><u>\$ 1,310,089</u></b>

### **11. Revenue from Contracts with Customers**

The Organization recognized total revenue from contracts with customers for the years ended June 30:

	<u>2024</u>	<u>2023</u>
Point in Time:		
Medical Revenue	\$ <b>26,081,485</b>	\$ 25,158,234
Event Income (included with contributions)	<b>150,203</b>	134,552
Monthly Subscriptions	<b>124,170</b>	136,051
Product Sales	<b>56,839</b>	40,180
Other	<b>4,553</b>	-
Over time:		
Annual Subscriptions	<b>855,289</b>	847,546
<b>Total Revenue from Contracts with Customers</b>	<b><u>\$ 27,272,539</u></b>	<b><u>\$ 26,316,563</u></b>

The Organization had the following contract assets and contract liabilities as of June 30:

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Contract Assets (Accounts Receivable)			
Point in Time	\$ <b>391,248</b>	\$ 502,785	\$ 339,270
Total Contract Assets	<b><u>\$ 391,248</u></b>	<b><u>\$ 502,785</u></b>	<b><u>\$ 339,270</u></b>
Contract Liabilities (Deferred Revenue)			
Point in Time	\$ <b>95,506</b>	\$ 206,714	\$ 83,580
Over Time	<b>383,807</b>	355,345	398,229
Total Contract Liabilities	<b><u>\$ 479,312</u></b>	<b><u>\$ 562,059</u></b>	<b><u>\$ 481,809</u></b>

# ***Dove Lewis Emergency Animal Hospital, Inc.***

## Notes to Consolidated Financial Statements

Year Ended June 30, 2024

### **11. Revenue from Contracts with Customers (Continued)**

The Organization receives certain contributions designated specifically for the treatment of stray and wildlife animals and to assist pet owners with financial need. These funds are used to cover charitable assistance write-offs, as disclosed below. When such charitable assistance is provided, these contributions are reclassified from net assets with donor restrictions to net assets without donor restrictions and are included in net assets released from restrictions in the accompanying consolidated statement of activities.

Medical Revenue (Net) was as follows for the years ended June 30:

	<u>2024</u>	<u>2023</u>
Gross Medical Revenue	<b>\$ 26,081,485</b>	\$ 25,158,234
Charitable Assistance	<b>(701,029)</b>	(816,026)
Discounts and Adjustments	<b>(671,710)</b>	(793,285)
<b>Medical Revenue (Net)</b>	<b><u>\$ 24,708,746</u></b>	<b><u>\$ 23,548,923</u></b>

### **12. Oregon Community Foundation Fund**

In 1997, the Oregon Community Foundation (OCF) became the beneficiary of an estate establishing a permanent charitable fund for the benefit of the Organization. OCF retains variance power over the fund. Since 1997, OCF has distributed a percentage of the fair market value of the fund to the Organization annually. This contribution from OCF is recorded as revenue without donor restrictions in the year received.

### **13. Contributed Nonfinancial Assets**

The Organization received the following contributions of nonfinancial assets for the years ended June 30:

	<u>2024</u>	<u>2023</u>
Event Supplies – Development	<b>\$ 60,455</b>	\$ 74,038
Supplies – Program Services	<b>8,176</b>	1,637
Facility Usage – Administrative	<b>2,244</b>	2,692
Professional Services – Program Services	<b>11,047</b>	9,671
<b>Total Contributed Nonfinancial Assets</b>	<b><u>\$ 81,922</u></b>	<b><u>\$ 88,038</u></b>

The Organization receives event supplies, administrative supplies and supplies that are restricted for use within designated programs. Event supplies are utilized in the production of events or sold via auction at events. All donated supplies are recorded at fair value and are used to support programs and operations. Fair value is based on the current cost to acquire the supplies and the sales price of comparable supplies.

The Organization receives the use of donated space for storage and event hosting. Donated space is recorded at fair value and is used to support programs and operations. Fair value is based on current market rates and commercial listings for use of specific and comparable properties.

The Organization receives contributed professional services related to event production and advertising. These services are used to support programs and operations and would have been purchased if not provided by donation. Contributed professional services are recorded at their estimated fair value using current market rates from applicable vendors and comparable professionals.

# ***Dove Lewis Emergency Animal Hospital, Inc.***

## Notes to Consolidated Financial Statements

Year Ended June 30, 2024

### **13. Contributed Nonfinancial Assets (Continued)**

The Organization also receives donated services from unpaid volunteers who assist in fundraising and special projects. No amounts have been recognized in the consolidated statement of activities for these services because the criteria for recognition have not been satisfied. In addition, the Organization receives donations of canine and feline blood for the community blood bank. The fair value of these units cannot reasonably be estimated and is therefore not recorded in the accompanying consolidated financial statements.

### **14. Net Assets Released from Restrictions**

Net assets relating to restricted contributions are released from net assets with donor restrictions to net assets without donor restrictions when the Organization incurs expenses satisfying the restricted purposes, when other events specified by donors occur, or when a time restriction expires.

Satisfaction of program restrictions are as follows for the years ended June 30:

	<u>2024</u>	<u>2023</u>
Building Fund	\$ <b>32,867</b>	\$ 4,010
Financial Assistance Fund	<b>356,788</b>	317,722
Equipment Fund	-	9,364
Stray Animal and Wildlife Fund	<b>58,478</b>	66,744
Animal Assisted Therapy	<b>91,794</b>	95,423
Pet Loss	<b>29,295</b>	23,371
Other Funds	<b>29,842</b>	53,488
<b>Total Net Assets Released from Restrictions</b>	<b>\$ 599,064</b>	<b>\$ 570,122</b>

### **15. Retirement Plan**

The Organization sponsors a 403(b) defined contribution retirement plan, The DoveLewis 403(b) Plan (the Plan). Eligible employees may elect to defer a portion of their salary into the Plan. The Board may also decide to have the Organization make a discretionary annual contribution to the Plan. The Organization did not contribute to the Plan for the fiscal year June 30, 2024 and contributed 3.0% of eligible employees' compensation to the Plan during fiscal year June 30, 2023. All contributions are immediately vested. Plan expenses recognized by the Organization for the years ended June 30, 2024 and 2023 were \$0 and \$310,564 respectively.

### **16. Leases**

In accordance with ASC 842, the Organization evaluates contracts to determine which meet the criteria of a lease. The ROU asset and lease liability as of June 30, 2024 and June 30, 2023, arise from a single operating lease for a mobile magnetic resonance imaging (MRI) machine. The following additional leases were identified, but fell outside of the scope of ASC 842, and therefore are not included in the ROU asset or the lease liability as of June 30, 2024 or June 30, 2023:

- The Organization leases office equipment under various operating leases expiring through July 2024. Total expenses were \$42,925 for both of the years ended June 30, 2024 and 2023.
- The Organization entered into a sublease agreement for office space beginning in August 2018 and ending in September 2021. The Organization subsequently entered into a lease agreement for the same office space beginning in October 2021 and ending in September 2023. Total expenses were \$0 and \$111,415 for the years ended June 30, 2024 and 2023, respectively.

# ***Dove Lewis Emergency Animal Hospital, Inc.***

## Notes to Consolidated Financial Statements

Year Ended June 30, 2024

### **16. Leases (Continued)**

Total operating lease expense for the years ended June 30, 2024 and 2023, was \$278,230 and \$304,340 respectively, which includes the MRI machine and other leases outside the scope of ASC 842.

Future maturities of the office equipment leases total approximately \$30,022 and \$26,869 for the years ending June 30, 2025 and 2026, respectively.

The ROU asset and liability for the MRI machine were calculated using a weighted average discount rate of 2%, which represents the Organization's incremental borrowing rate. Cash paid for both the years ended June 30, 2024 and 2023 totaled \$180,000.

### **17. Related Party Transactions**

The Organization paid a \$100,000 nonrefundable lease-commitment fee, reported as a deposit on the consolidated statement of financial position, to a business in which a member of the Board of Directors has a material financial interest. This amount will be applied to future monthly rents on a property currently being developed.

### **18. Concentration Risk**

The Organization maintains its operating cash, cash equivalents and short-term investments in five financial institutions. The balances at these financial institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 and the Securities Investor Protection Corporation (SIPC) up to \$250,000 for money market funds and up to \$500,000 for all other investments. At times during the year, the Organization may have balances in excess of FDIC and SIPC insurance limits; however, due to the strength of the financial institutions, management believes that the exposure to loss is minimal and remote.

Two vendors represented approximately 63% of total medical supplies expense for both years ended June 30, 2024 and 2023.

Three and one donors represented approximately 73% and 71% of the total contributions receivable as of June 30, 2024 and 2023, respectively.

### **19. Subsequent Events**

Management has evaluated, for potential recognition or disclosure in the consolidated financial statements, subsequent events that have occurred through October 8, 2024 which is the date that the consolidated financial statements were available to be issued.

On July 1, 2024, the Organization entered into a lease agreement with a business in which a member of the Board of Directors has a material financial interest, for medical office space in a newly constructed building near the Organization's existing facility. The lease term begins upon issuance of a certificate of occupancy for the premises, which is expected in late 2024. The lease includes below market rental fees and expires in five years. The Organization has three five-year renewal options. The lessor has constructed leasehold improvements in the building, a portion of which are customized for the Organization's use. The Organization entered a loan agreement with the lessor for its share of the leasehold improvements for an amount not to exceed \$5,400,000, with 5% annual interest payments and a principal balloon payment due in five years.