DoveLewis Emergency Animal Hospital, Inc.

Consolidated Financial Statements
Year Ended June 30, 2023

McDonald Jacobs

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McDONALD JACOBS
ACCOUNTANTS & CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

Board of Directors
DoveLewis Emergency Animal Hospital, Inc.

Opinion

We have audited the accompanying consolidated financial statements of DoveLewis Emergency Animal Hospital, Inc.(a nonprofit organization) and subsidiary, which comprise the consolidated statement of financial position as of June 30, 2023, 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 DoveLewis Emergency Animal Hospital, Inc. as of June 30, 2023, 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 DoveLewis 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 DoveLewis 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.

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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 DoveLewis 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 DoveLewis 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 DoveLewis Emergency Animal Hospital, Inc.'s 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 12, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

McDonald Jacobs, P.C.

Portland, Oregon
October 11, 2023

DoveLewis Emergency Animal Hospital, Inc.

Consolidated Statement of Financial Position

As of June 30, 2023 (with summarized financial information for the year ended June 30, 2022)

	2023	2022
ASSETS		
Current Assets		
Cash and Cash Equivalents	$ 1,009,781	$ 4,087,570
Short-Term Investments	2,631,690	3,006,145
Accounts Receivable (Net)	467,982	216,804
Contributions Receivable (Net)	74,100	350,000
Inventories	477,119	434,901
Unemployment Trust Fund	81,591	87,856
Prepaid Expenses	419,528	216,660
TOTAL CURRENT ASSETS	**5,161,791**	8,399,936
PROPERTY AND EQUIPMENT (NET)	**7,876,875**	8,243,923
Other Noncurrent Assets		
Contributions Receivable (Net)	35,586	43,052
Website Development Costs (Net)	353,149	293,974
Deposits	100,000	100,000
Operating Lease Right-of-Use Asset	178,057	352,596
Investments and Cash Held for Endowment	700,529	-
Interest Rate Swap Agreement	-	32
TOTAL OTHER NONCURRENT ASSETS	**1,367,321**	789,654
TOTAL ASSETS	**$ 14,405,987**	$ 17,433,513
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts Payable	$ 453,066	$ 688,148
Deferred Revenue	562,059	481,809
Accrued Payroll Liabilities	532,866	503,945
Retirement Plan Contribution Payable	309,536	290,209
Operating Lease Liability	178,057	174,539
Mortgage Note Payable	2,598,505	76,800
Charitable Gift Annuities Payable	24,750	24,750
TOTAL CURRENT LIABILITIES	**4,658,839**	2,240,200
Noncurrent Liabilities		
Operating Lease Liability	-	178,057
Mortgage Note Payable	-	2,598,505
Charitable Gift Annuities Payable	115,243	133,924
TOTAL NONCURRENT LIABILITIES	**115,243**	2,910,486
TOTAL LIABILITIES	**4,774,082**	5,150,686
Net Assets		
Net Assets Without Donor Restrictions:		
Undesignated	3,043,446	6,229,227
Property and Equipment (Net)	5,278,370	5,568,618
Total Net Assets Without Donor Restrictions	8,321,816	11,797,845
Net Assets With Donor Restrictions	1,310,089	484,982
TOTAL NET ASSETS	**9,631,905**	12,282,827
TOTAL LIABILITIES AND NET ASSETS	**$ 14,405,987**	$ 17,433,513

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

DoveLewis Emergency Animal Hospital, Inc.

Consolidated Statement of Activities

Year Ended June 30, 2023 (with summarized financial information for the year ended June 30, 2022)

	2023			
	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	**Total**	2022 Total
Revenue and Support				
Medical Revenue (Net)	$ 23,548,923	$ -	$ 23,548,923	$ 25,279,868
Education Program Revenue	983,597	-	983,597	909,921
Contributions of Cash	2,090,755	1,293,999	3,384,754	2,823,190
Contributions of Financial Assets	368,409	11,487	379,896	17,393
Contributions of Nonfinancial Assets	77,434	10,604	88,038	184,013
Interest Income	104,487	12,468	116,955	61,464
Rental Income	18,492	-	18,492	18,492
County Stray Reimbursement	181,600	-	181,600	54,000
Miscellaneous Income	66,094	-	66,094	128,135
	27,439,791	1,328,558	28,768,349	29,476,476
Net Assets Released From Restrictions	570,122	(570,122)	-	-
Total Revenue and Support	28,009,913	758,436	**28,768,349**	29,476,476
Functional Expenses				
Program Services				
Clinic	25,846,300	-	25,846,300	24,629,548
Pet Loss Support	141,957	-	141,957	114,165
Animal Assisted Therapy	106,452	-	106,452	100,435
Blood Bank	176,833	-	176,833	167,068
Stray Animal and Wildlife	498,324	-	498,324	346,408
Financial Assistance	317,701	-	317,701	322,469
Education	935,891	-	935,891	799,694
Total Program Services	28,023,458	-	28,023,458	26,479,787
Supporting Services				
General and Administrative	2,306,217	-	2,306,217	2,036,334
Development	1,197,283	-	1,197,283	1,058,440
Total Supporting Services	3,503,500	-	3,503,500	3,094,774
Total Functional Expenses	31,526,958	-	**31,526,958**	29,574,561
Other Income and (Expenses)				
Net Loss on Disposal of Assets	(51,800)	-	(51,800)	(1,982)
Net Unrealized Gain (Loss) on Investments	92,816	66,671	159,487	(240,100)
Total Other Income and (Expenses)	41,016	66,671	**107,687**	(242,082)
Change in Net Assets	(3,476,029)	825,107	(2,650,922)	(340,167)
Net Assets - Beginning of Year	11,797,845	484,982	12,282,827	12,622,994
Net Assets - End of Year	$ 8,321,816	$ 1,310,089	**$ 9,631,905**	$ 12,282,827

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

DoveLewis Emergency Animal Hospital, Inc.

Consolidated Statement of Functional Expenses

Year Ended June 30, 2023 (with summarized financial information for the year ended June 30, 2022)

	Program Services								Supporting Services				
	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	**2023 Total**	**2022 Total**
Salaries	$ 14,907,881	$ 90,323	$ 66,601	$ 63,004	$ 364,428	$ 232,337	$ 300,872	$ 16,025,446	$ 1,532,791	$ 597,746	$ 2,130,537	$ 18,155,983	$ 16,691,511
Contracted Services	994,156	600	-	-	-	-	-	994,756	45,355	-	45,355	1,040,111	1,408,536
Payroll Taxes	1,142,752	7,924	5,959	5,587	26,097	16,638	23,841	1,228,798	127,948	46,450	174,398	1,403,196	1,170,676
Employee Benefits	2,115,780	13,782	11,789	9,784	52,865	33,704	41,186	2,278,890	207,014	44,901	251,915	2,530,805	2,038,173
Staff Recruitment	184,020	-	284	-	-	-	-	184,304	10,957	141	11,098	195,402	141,100
Medical Supplies	2,342,611			82,063	54,934	35,022	-	2,514,630	-	-	-	2,514,630	2,892,696
Facilities and Equipment Leases	172,131	3,327	3,327	3,327	-	-	13,310	195,422	54,940	18,948	73,888	269,310	243,039
Repairs and Maintenance	590,363	-	-	1,456	-	-	-	591,819	-	-	-	591,819	509,754
Property Security	45,947	-	-	-	-	-	-	45,947	-	-	-	45,947	79,276
Supplies and Equipment	238,290	1,099	1,907	2,623	-	-	56,618	300,537	54,251	8,465	62,716	363,253	534,097
Outside Professional Services	255,014	159	159	159	-	-	82,688	338,179	193,921	35,196	229,117	567,296	483,468
Insurance	68,203	390	390	390	-	-	1,559	70,932	5,455	1,559	7,014	77,946	63,747
Administrative	95,611	59	5,908	1,604	-	-	-	103,182	25,252	19,655	44,907	148,089	198,695
Taxes and Licenses	152,131	-	-	-	-	-	-	152,131	977	-	977	153,108	149,639
Utilities	248,007	266	1,111	826	-	-	1,607	251,817	16,603	2,484	19,087	270,904	265,303
Marketing	521,307	22,552	5,665	1,342	-	-	109,861	660,727	5,529	86,724	92,253	752,980	654,218
Fundraising Event	-	-	-	-	-	-	-	-	-	305,996	305,996	305,996	273,186
Education Event	-	-	-	-	-	-	75,028	75,028	-	-	-	75,028	2,614
Printing and Postage	14,939	1,314	3,352	4,668	-	-	1,351	25,624	2,198	7,053	9,251	34,875	33,758
Dues and Subscriptions	6,800	162	-	-	-	-	14,810	21,772	2,061	457	2,518	24,290	25,308
Bank Transaction Fees	722,845	-	-	-	-	-	35,942	758,787	20,965	21,508	42,473	801,260	813,933
Bad Debts	370,098							370,098			-	370,098	260,388
Depreciation and Amortization	503,962	-	-	-	-	-	177,218	681,180	-	-	-	681,180	555,528
Interest	153,452	-	-	-	-	-	-	153,452	-	-	-	153,452	85,918
Total Expenses	$ 25,846,300	$ 141,957	$ 106,452	$ 176,833	$ 498,324	$ 317,701	$ 935,891	$ 28,023,458	$ 2,306,217	$ 1,197,283	$ 3,503,500	**$ 31,526,958**	**$ 29,574,561**

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

DoveLewis Emergency Animal Hospital, Inc.

Consolidated Statement of Cash Flows

Year Ended June 30, 2023 (with summarized financial information for the year ended June 30, 2022)

	2023	2022
Cash Flows from Operating Activities		
Change in Net Assets	$ (2,650,922)	$ (340,167)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and Amortization Expense	681,180	555,528
Provision for Bad Debts	379,732	268,566
Net Loss on Property and Equipment	10,594	4,496
Net Loss (Gain) on Short-Term and Endowment Investments	(123,707)	283,544
Change in Fair Value of Charitable Gift Annuities Payable	6,069	6,798
Change in Fair Value of Interest Rate Swap Agreement	32	(47,423)
Contributions Restricted for Building and Equipment Funds	(247,600)	(121,540)
Contributions with Perpetual Donor Restrictions	(466,799)	(154,591)
(Increase) Decrease in Assets		
Accounts Receivable	(651,310)	(295,967)
Contributions Receivable	303,766	(199,822)
Inventories	(42,218)	(127,761)
Unemployment Trust Fund	6,265	18,895
Prepaid Expenses	(202,868)	(35,339)
Deposits	-	(100,000)
Increase (Decrease) in Liabilities		
Accounts Payable	(235,082)	(12,457)
Deferred Revenue	80,250	124,991
Accrued Payroll Liabilities	28,921	(397,350)
Retirement Plan Contribution Payable	19,327	(15,929)
Net Cash Used in OPERATING ACTIVITIES	**(3,104,370)**	(585,528)
Cash Flows from Investing Activities		
Purchases of Short-Term Investments	(1,525,999)	(2,170,014)
Proceeds from Short-Term Investments	1,323,632	2,139,656
Purchases of Property and Equipment	(146,460)	(481,369)
Website Development Costs	(237,441)	(290,443)
Net Cash Used in INVESTING ACTIVITIES	**(586,268)**	(802,170)
Cash Flows from Financing Activities		
Contributions Restricted for Building and Equipment Funds	247,600	121,540
Contributions with Perpetual Donor Restrictions	466,799	154,591
Payments on Mortgage Note Payable	(76,800)	(73,600)
Payments on Charitable Gift Annuities Payable	(24,750)	(24,750)
Net Cash Provided by FINANCING ACTIVITIES	**612,849**	177,781
Net (Decrease) in Cash and Cash Equivalents	**(3,077,789)**	(1,209,917)
Cash and Cash Equivalents - Beginning of Year	4,087,570	5,297,487
Cash and Cash Equivalents - End of Year	**$ 1,009,781**	$ 4,087,570

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

1. Nature of Activities and Summary of Significant Accounting Policies

a. Business and Organization

DoveLewis® 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 and critical care hospital in Oregon. 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 25,000 patients annually at its NW Portland, Oregon location.

DoveLewis' staff of 210 employees includes many board-certified specialists, including four board-certified critical care specialists, three board-certified surgeons, two board-certified internal medicine specialists, one board-certified cardiology specialist, one board-certified dermatology specialist, two board-certified neurology specialists and six 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, 2023 and 2022 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.

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, 2022, from which the summarized information was derived.

d. 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.

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.

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

e. 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.

f. 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.

g. 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, interest rate swap agreement, 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.

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, 2023 and 2022 and indicates the fair value hierarchy of the valuation techniques utilized by the Organization to determine such fair value:

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

g. Fair Value Measurements (Continued)

	Level 1	Level 2	Level 3
2023			
Short-Term Investments			
Certificates of Deposits	$ 1,908,963	$ -	$ -
Mutual Funds	688,919	-	-
Other Investments	33,808	-	-
Total Short-Term Investments	**2,631,690**	-	-
Investments and Cash Held for Endowment			
Cash	$ 17,192	$ -	$ -
Mutual Funds	668,975	-	-
Other Investments	14,362	-	-
Total Investments and Cash Held for Endowment	**700,529**	-	-
Charitable Gift Annuities Payable	-	**(139,993)**	-
2022			
Short-Term Investments			
Commercial Paper	$ 1,950,000	$ -	$ -
Mutual Funds	1,056,145	-	-
Total Short-Term Investments	**3,006,145**	-	-
Interest Rate Swap	-	**32**	-
Charitable Gift Annuities Payable	-	**(158,674)**	-

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 fair value of the interest rate swap agreement was estimated by U.S. Bank, using a model specifically designed for interest rate derivatives. This model employs an income valuation approach by calculating the present value of future expected cash flows using discount factors based on market interest rates. The valuation of the interest rate swap agreement takes into account observable market data, utilizing both Level 1 and Level 2 inputs (see Note 10 for additional information).

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%.

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

h. Accounts Receivable

Accounts receivable consist primarily of medical fees receivable. An allowance for uncollectible accounts is calculated based on the aging of the Organization's accounts receivable and management's judgment. Factors influencing management's judgment include historical data, current and expected future conditions, along with relevant information specific to each account. The Organization writes off accounts receivable when the Organization determines that a balance is uncollectible and no longer actively pursues collection of the receivable.

i. 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.

j. 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.

k. 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

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

l. 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 the standard 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.

m. 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.

n. 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.

o. 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.

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

p. 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.

q. Interest Rate Swap Agreement

The Organization has entered into an interest rate swap agreement – which is a derivative financial instrument – to reduce interest rate risk associated with its long-term debt (see Notes 9 and 10). The Organization does not hold or issue derivative financial instruments for trading purposes. For not-for-profit organizations, GAAP requires the organization to recognize all derivatives as either assets or liabilities and measure those instruments at fair value with changes in their fair value being recognized as income or expense in the consolidated statement of activities.

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 $705,980 and $627,607 for the years ended June 30, 2023 and 2022, 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, 2023 and 2022, DoveLewis earned unrelated business income; however, the tax related to this income was insignificant to the accompanying consolidated financial statements and was 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.

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

t. Income Taxes (Continued)

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, 2023 and 2022.

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, 2023 and 2022 was $954 and $990, respectively.

u. Reclassifications

Certain prior year amounts have been reclassified for consistency with the current year presentation. These reclassifications had no effect on the reported results of operations.

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:

	2023	2022
Financial Assets	**$ 4,200,745**	$ 7,660,519
Less cash reserved for:		
Mortgage Note Payable Covenant Requirement	**(750,000)**	(750,000)
Financial Assistance in Future Periods	**(54,375)**	-
Equipment Fund	**(15,325)**	(11,889)
Building Fund	**(239,860)**	(13,235)
Cash and Investments Held for Charitable Gift Annuities	**(139,993)**	(158,674)
Net Assets with Perpetual Donor Restrictions	**-**	(154,591)
Less contributions receivable restricted for:		
Equipment Fund	**(25,000)**	(25,000)
Building Fund	**(38,300)**	(35,000)
Financial Assets Available Within One Year	**$ 2,937,892**	$ 6,512,130

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.

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.

3. Endowment (Continued)

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, 2023 and 2022 are as follows:

	With Expiring Restrictions	With Perpetual Restrictions	Total
Endowment net assets -			
June 30, 2021	$ -	$ 154,591	$ 154,591
Investment return:			
Investment income, net	-	-	-
Unrealized gains, net	-	-	-
Contributions	-	-	-
Appropriation of endowment			
assets for expenditure	-	-	-
Other changes	-	-	-
Total changes	-	-	-
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**
Appropriation of endowment			
assets for expenditure	**-**	**-**	**-**
Other changes	**(3,156)**	**-**	**(3,156)**
Total changes	**79,139**	**466,799**	**545,938**
Endowment net assets -			
June 30, 2023	**$ 79,139**	**$ 621,390**	**$ 700,529**

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 as it plans to allow the endowment to grow before spending commences.

4. Accounts Receivable

Accounts receivable consist of the following as of June 30:

	2023	2022
Medical Services	**$ 502,785**	$ 339,270
Other Receivables	**49,958**	1,725
	552,743	340,995
Less allowance for uncollectible accounts	**(84,762)**	(124,191)
Accounts Receivable (Net)	**$ 467,982**	$ 216,804

5. Contributions Receivable

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

	2023	2022
Building Fund	$ 76,400	$ 55,000
Equipment Fund	25,000	50,000
Other Restricted Funds	10,500	-
Unrestricted Contributions	300	290,000
	112,200	395,000
Less allowance for uncollectible accounts	-	-
Less discount to present value	(2,514)	(1,948)
Contributions Receivable (Net)	$ 109,686	$ 393,052
Amounts due in		
Less than one year	$ 74,100	$ 350,000
One to five years	35,586	43,052
Contributions Receivable (Net)	$ 109,686	$ 393,052

Contributions receivable due in more than one year are discounted at the rate of 7.07% and 3.70% as of June 30, 2023 and 2022, respectively.

6. Property and Equipment

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

	2023	2022
Land	$ 888,982	$ 888,982
Buildings	5,472,253	5,472,253
Building Improvements	3,427,708	3,417,212
Office and Computer Equipment	419,586	419,586
Medical Equipment	1,778,117	1,674,315
Total Property and Equipment	11,986,646	11,872,348
Less accumulated depreciation	(4,109,772)	(3,628,425)
Property and Equipment (Net)	$ 7,876,875	$ 8,243,923

Depreciation expense totaled $502,914 and $456,254 for the years ended June 30, 2023 and 2022, respectively.

7. Website Development Costs

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

	2023	2022
Website Development Costs	**$ 994,921**	$ 757,480
Less accumulated amortization	**(641,772)**	(463,506)
Website Development Costs (Net)	**$ 353,149**	$ 293,974

Amortization expense amounted to $178,266 and $99,274 for the years ended June 30, 2023 and 2022, 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, 2023 and 2022, total assets held for charitable gift annuities of $139,993 and $158,674, 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, 2023 and 2022.

9. Mortgage Note Payable

As of June 30, 2023 and 2022, the Organization has a mortgage note payable to a financial institution (the Mortgage Note). As of June 30, 2022 interest was computed at a variable rate equal to 1.9% plus the one-month London Interbank Offered Rate (LIBOR). 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, 2023, SOFR was 5.09% and as of June 30, 2022 LIBOR was 1.80%. Cash paid for interest during the years ended June 30, 2023 and 2022 was $148,818 and $85,918, 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 not met as of June 30, 2023. The Organization received a waiver of default from the financial institution as of June 30, 2023. In anticipation of the balloon payment due on June 30, 2024, the Organization is in the process of assessing options to refinance.

10. Interest Rate Swap Agreement

In March 2018, the Organization entered into an interest rate swap agreement with U.S. Bank to reduce the Organization's exposure to variability in interest rates on the Mortgage Note (see Note 9). This agreement matured on March 21, 2023 and was not renewed. The interest rate swap agreement contained the following terms:

Notional Amount	Variable Rate	Fixed Rate	Maturity Date
$1,000,000	1-Month LIBOR	2.889%	March 21, 2023

11. Net Assets with Donor Restrictions

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

	2023	2022
Financial Assistance	**$ 354,375**	$ 305,267
Equipment and Building	**255,185**	25,124
Earnings on Endowment	**79,139**	-
Total Net Assets with Expiring Donor Restrictions	**688,699**	330,391
Net Assets with Perpetual Donor Restrictions	**621,390**	154,591
Total Net Assets with Donor Restrictions	**$ 1,310,089**	$ 484,982

12. Revenue from Contracts with Customers

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

	2023	2022
Point in Time:		
Medical Revenue	**$ 25,158,234**	$ 26,591,952
Event Income	**134,552**	149,502
Monthly Subscriptions	**136,051**	142,525
Product Sales	**40,180**	107,958
Other	**-**	1,000
Over time:		
Annual Subscriptions	**847,546**	766,396
Total Revenue from Contracts with Customers	**$ 26,316,563**	$ 27,759,333

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

	2023	2022	2021
Contract Assets (Accounts Receivable)			
Point in Time	**$ 502,785**	$ 339,270	$ 263,581
Total Contract Assets	**$ 502,785**	$ 339,270	$ 263,581
Contract Liabilities (Deferred Revenue)			
Point in Time	**$ 206,714**	$ 83,580	$ 73,629
Over Time	**355,345**	398,229	283,189
Total Contract Liabilities	**$ 562,059**	$ 481,809	$ 356,818

12. 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:

	2023	2022
Gross Medical Revenue	**$ 25,158,234**	$ 26,591,952
Charitable Assistance	**(816,026)**	(668,345)
Discounts and Adjustments	**(793,285)**	(643,739)
Medical Revenue (Net)	**$ 23,548,923**	$ 25,279,868

13. 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.

14. Contributed Nonfinancial Assets

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

	2023	2022
Event Supplies – Development	**$ 74,038**	$ 82,070
Supplies – Program Services	**1,637**	88,573
Facility Usage – Administrative	**2,692**	2,244
Professional Services – Program Services	**9,671**	11,126
Total Contributed Nonfinancial Assets	**$ 88,038**	$ 184,013

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.

14. 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.

15. 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:

	2023	2022
Building Fund	**$ 4,010**	$ -
Financial Assistance Fund	**317,722**	322,468
Equipment Fund	**9,364**	30,046
Stray Animal and Wildlife Fund	**66,744**	68,764
Animal Assisted Therapy	**95,423**	70,544
Pet Loss	**23,371**	21,885
Other Funds	**53,488**	43,343
Total Net Assets Released from Restrictions	**$ 570,122**	$ 557,050

16. 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 contributed 3.0% of eligible employees' compensation to the Plan during each of the years ended June 30, 2023 and 2022. All contributions are immediately vested. Plan expenses recognized by the Organization for the years ended June 30, 2023 and 2022 were $310,564 and $251,998 respectively.

17. Leases

In accodance 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, 2023 and June 30, 2022, 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, 2023 or June 30, 2022:

- The Organization leases office equipment under various operating leases expiring through July 2024. Total expenses were $42,925 and $16,056 for the years ended June 30, 2023 and 2022, respectively.
- 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 $111,415 and $130,818 for the years ended June 30, 2023 and 2022, respectively.

17. Leases (Continued)

Total operating lease expense for the years ended June 30, 2023 and 2022, was $304,340 and $252,184 respectively, which includes the MRI machine and other leases outside the scope of ASC 842.

Future maturities of the office equipment and office space leases total approximately $42,925 and $42,925 for the years ending June 30, 2024 and 2025, respectively.

The ROU asset and liability for the MRI machine were calculated using a weighted average discount rate of 2%, which represents the Organizations incremental borrowing rate. Cash paid during the years ended June 30, 2023 and 2022 totaled $180,000 and $105,000, respectively. As of June 30, 2023, the remaining lease term for the Organizations operating lease was approximately one year. The future maturity of the lease liability for the fiscal year June 30, 2024 is as follows:

Total Lease Payments	$	180,000
Less Discount to present value		(1,943)
Total Lease Obligations	$	178,057

18. Related Party Transactions

During the prior year, 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.

19. 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% and 66% of total medical supplies expense for the years ended June 30, 2023 and 2022, respectively.

Three and one donors represented approximately 71% and 73% of the total contributions receivable as of June 30, 2023 and 2022, respectively.

20. Subsequent Events

Management has evaluated, for potential recognition or disclosure in the consolidated financial statements, subsequent events that have occurred through October 11, 2023 which is the date that the consolidated financial statements were available to be issued.