



Dove Lewis Emergency Animal Hospital, Inc.

Consolidated Financial Statements
Year Ended June 30, 2025



MCDONALD JACOBS

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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, 2025, 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, 2025, 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 2024 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 8, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2024, is consistent, in all material respects, with the audited financial statements from which it has been derived.

McDonald Jacobz, P.C.

Portland, Oregon
October 6, 2025

Dove Lewis Emergency Animal Hospital, Inc.**Consolidated Statement of Financial Position**

As of June 30, 2025 (with summarized financial information for the year ended June 30, 2024)

	2025	2024
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 2,144,989	\$ 2,082,555
Short-Term Investments	1,594,785	1,052,033
Accounts Receivable (Net)	218,865	318,751
Contributions Receivable (Net)	62,482	149,900
Inventories	514,501	462,860
Unemployment Trust Fund	61,767	58,865
Prepaid Expenses	498,902	450,545
TOTAL CURRENT ASSETS	5,096,291	4,575,509
PROPERTY AND EQUIPMENT (NET)	13,146,098	7,697,757
Other Noncurrent Assets		
Contributions Receivable (Net)	81,303	79,746
Website Development Costs (Net)	207,467	289,060
Deposits	-	100,000
Operating Lease Right-of-Use Assets	6,631,931	-
Investments and Cash Held for Endowment	965,830	861,786
TOTAL OTHER NONCURRENT ASSETS	7,886,531	1,330,592
TOTAL ASSETS	\$ 26,128,920	\$ 13,603,858
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts Payable	\$ 544,738	\$ 410,094
Deferred Revenue	563,488	479,312
Accrued Payroll Liabilities	724,065	635,397
Retirement Plan Contribution Payable	304,284	-
Operating Lease Liabilities	67,446	-
Mortgage Note Payable	22,043	2,518,905
Charitable Gift Annuities Payable	18,150	24,750
Other Current Liabilities	42,636	-
TOTAL CURRENT LIABILITIES	2,286,850	4,068,458
Noncurrent Liabilities		
Operating Lease Liabilities	6,762,391	-
Tenant Improvement Note Payable	3,572,965	-
Mortgage Note Payable	1,666,586	-
Charitable Gift Annuities Payable	75,679	95,803
TOTAL NONCURRENT LIABILITIES	12,077,621	95,803
TOTAL LIABILITIES	14,364,471	4,164,261
Net Assets		
Net Assets Without Donor Restrictions:		
Undesignated	\$2,887,522	2,538,528
Property and Equipment (Net)	7,884,504	5,178,852
Total Net Assets Without Donor Restrictions	10,772,026	7,717,380
Net Assets With Donor Restrictions	992,423	1,722,217
TOTAL NET ASSETS	11,764,449	9,439,597
TOTAL LIABILITIES AND NET ASSETS	\$ 26,128,920	\$ 13,603,858

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, 2025 (with summarized financial information for the year ended June 30, 2024)

	2025			
	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total	2024 Total
Revenue and Support				
Medical Revenue (Net)	\$26,096,332	\$ -	\$ 26,096,332	\$ 24,708,746
Education Program Revenue	971,516	-	971,516	984,012
Contributions of Cash	5,264,422	2,794,473	8,058,895	3,334,943
Contributions of Financial Assets	18,549	1,080	19,629	38,072
Contributions of Nonfinancial Assets	4,325	1,850	6,175	81,922
Interest Income	115,476	30,451	145,927	129,358
Rental Income	18,492	-	18,492	18,492
County Stray Reimbursement	-	-	-	36,000
Hospital Operations Fees and Other Income	716,533	-	716,533	730,659
	<u>33,205,645</u>	<u>2,827,854</u>	<u>36,033,499</u>	<u>30,062,204</u>
Net Assets Released From Restrictions	3,624,193	(3,624,193)	-	-
Total Revenue and Support	<u>36,829,838</u>	<u>(796,339)</u>	<u>36,033,499</u>	<u>30,062,204</u>
Functional Expenses				
Program Services				
Clinic	28,058,272	-	28,058,272	24,989,908
Pet Loss Support	130,964	-	130,964	121,506
Animal Assisted Therapy	113,386	-	113,386	105,401
Blood Bank	190,878	-	190,878	199,854
Stray Animal and Wildlife	379,194	-	379,194	344,370
Financial Assistance	359,827	-	359,827	356,660
Education	989,895	-	989,895	905,068
Total Program Services	<u>30,222,416</u>	<u>-</u>	<u>30,222,416</u>	<u>27,022,767</u>
Supporting Services				
General and Administrative	2,554,767	-	2,554,767	2,271,668
Development	1,059,677	-	1,059,677	1,138,716
Total Supporting Services	<u>3,614,444</u>	<u>-</u>	<u>3,614,444</u>	<u>3,410,384</u>
Total Functional Expenses	<u>33,836,860</u>	<u>-</u>	<u>33,836,860</u>	<u>30,433,151</u>
Other Income and (Expenses)				
Net Gain (Loss) on Disposal of Assets	(4,516)	3,251	(1,265)	8,663
Net Unrealized Gain on Investments	\$66,184	\$63,294	129,478	169,976
Total Other Income and (Expenses)	<u>61,668</u>	<u>66,545</u>	<u>128,213</u>	<u>178,639</u>
Change in Net Assets	3,054,646	(729,794)	2,324,852	(192,308)
Net Assets - Beginning of Year	7,717,380	1,722,217	9,439,597	9,631,905
Net Assets - End of Year	<u>\$ 10,772,026</u>	<u>\$ 992,423</u>	<u>\$ 11,764,449</u>	<u>\$ 9,439,597</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, 2025 (with summarized financial information for the year ended June 30, 2024)

	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	2025 Total	2024 Total
Salaries	\$15,515,712	\$ 99,603	\$ 75,627	\$ 68,558	\$ 276,114	\$261,496	\$300,154	\$16,597,264	\$ 1,621,092	\$ 671,908	\$ 2,293,000	\$ 18,890,264	\$ 17,522,627
Contracted Services	990,896	450	-	-	-	-	5,516	996,862	20,432	6,536	26,968	1,023,830	760,503
Payroll Taxes	1,296,864	8,774	6,625	5,960	21,716	20,567	24,862	1,385,368	139,258	53,001	192,259	1,577,627	1,458,092
Employee Benefits	2,185,966	14,763	10,155	14,015	41,919	39,699	39,243	2,345,760	282,258	34,732	316,990	2,662,750	2,224,537
Staff Recruitment	303,733	-	977	-	-	-	-	304,710	18,895	1,137	20,032	324,742	245,070
Medical Supplies	2,266,405	-	-	84,903	39,070	37,002	-	2,427,380	-	-	-	2,427,380	2,460,521
Facilities and Equipment Leases	428,030	18	18	18	-	-	90	428,174	27,280	13,826	41,106	469,280	243,235
Repairs and Maintenance	582,624	-	-	191	-	-	-	582,815	413	-	413	583,228	520,590
Supplies and Equipment	667,144	316	1,334	316	-	-	75,021	744,131	54,032	5,612	59,644	803,775	338,928
Outside Professional Services	208,575	20	20	20	-	-	161,569	370,204	270,441	91,140	361,581	731,785	746,988
Insurance	135,768	90	85	94	-	-	269	136,306	1,461	359	1,820	138,126	114,012
Administrative	98,696	2,205	2,870	2,501	-	-	935	107,207	29,033	51,887	80,920	188,127	121,907
Taxes and Licenses	205,271	-	-	-	-	-	-	205,271	724	-	724	205,995	155,700
Utilities	408,372	290	1,025	290	-	-	1,671	411,648	15,880	4,130	20,010	431,658	279,850
Marketing	765,851	4,408	10,052	2,620	-	292	130,244	913,467	2,499	46,453	48,952	962,419	742,878
Fundraising Event	-	-	-	-	-	-	-	-	-	59,034	59,034	59,034	258,697
Education Event	592	-	-	-	-	-	657	1,249	-	-	-	1,249	988
Printing and Postage	13,164	-	4,133	11,364	-	-	3,333	31,994	6,279	2,621	8,900	40,894	30,436
Dues and Subscriptions	11,335	-	250	-	-	-	16,278	27,863	8,212	1,307	9,519	37,382	30,678
Bank Transaction Fees	801,243	27	215	28	375	771	29,000	831,659	6,578	15,994	22,572	854,231	849,897
Credit Losses	146,108	-	-	-	-	-	-	146,108	-	-	-	146,108	357,985
Bad Debt	-	-	-	-	-	-	-	-	50,000	-	50,000	50,000	44,608
Depreciation and Amortization	672,629	-	-	-	-	-	201,053	873,682	-	-	-	873,682	727,774
Interest	353,294	-	-	-	-	-	-	353,294	-	-	-	353,294	196,650
Total Expenses	\$28,058,272	\$130,964	\$ 113,386	\$ 190,878	\$ 379,194	\$359,827	\$989,895	\$30,222,416	\$ 2,554,767	\$ 1,059,677	\$ 3,614,444	\$33,836,860	\$30,433,151

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, 2025 (with summarized financial information for the year ended June 30, 2024)

	2025	2024
Cash Flows from Operating Activities		
Change in Net Assets	\$ 2,324,852	\$ (192,308)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and Amortization Expense	873,682	727,774
Amortization of Right-of-Use Assets	143,539	-
Provision for Credit Losses - Accounts Receivable	146,108	357,985
Provision for uncollectible - Contributions Receivable	50,000	44,608
Net Loss on Property and Equipment	10,941	-
Net Gain on Short-Term and Endowment Investments	(139,238)	(183,808)
Change in Fair Value of Charitable Gift Annuities Payable	4,441	5,310
Contributions Restricted for Building and Equipment Funds	(2,546,743)	(338,669)
Contributions with Perpetual Donor Restrictions	(2,735)	(80,481)
Proceeds from Release of CGA Investments to General Funds	(6,600)	-
(Increase) Decrease in Assets		
Accounts Receivable	(46,222)	(220,711)
Contributions Receivable	35,861	(152,610)
Inventories	(51,641)	14,259
Unemployment Trust Fund	(2,902)	22,726
Prepaid Expenses	(48,357)	(31,017)
Increase (Decrease) in Liabilities		
Accounts Payable	134,644	(42,972)
Deferred Revenue	84,176	(82,747)
Accrued Payroll Liabilities	88,668	102,531
Unemployment Claims Payable	42,636	-
Retirement Plan Contribution Payable	304,284	(309,536)
Operating Lease Liabilities	54,367	-
Net Cash Provided by (Used in) OPERATING ACTIVITIES	1,453,761	(359,666)
Cash Flows from Investing Activities		
Net (Purchases) Sales of Short-Term Investments	(507,558)	1,602,207
Purchases of Property and Equipment	(1,509,070)	(326,652)
Website Development Costs	(119,460)	(157,915)
Net Cash Provided by (Used in) INVESTING ACTIVITIES	(2,136,088)	1,117,640
Cash Flows from Financing Activities		
Contributions Restricted for Building and Equipment Funds	2,546,743	338,669
Contributions with Perpetual Donor Restrictions	2,735	80,481
Payments on Tenant Improvement Note Payable	(949,876)	-
Borrowings on Mortgage Payable	4,442,475	-
Payments on Mortgage Note Payable	(5,272,751)	(79,600)
Payments on Charitable Gift Annuities Payable	(24,565)	(24,750)
Net Cash Provided by FINANCING ACTIVITIES	744,761	314,800
Net Change in Cash and Cash Equivalents	62,434	1,072,774
Cash and Cash Equivalents - Beginning of Year	2,082,555	1,009,781
Cash and Cash Equivalents - End of Year	\$ 2,144,989	\$ 2,082,555

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, 2025

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 233 employees includes many board-certified specialists, including five 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 worldwide. 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, 2025 and 2024 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, 2025

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, 2024, 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.

Dove Lewis Emergency Animal Hospital, Inc.

Notes to Consolidated Financial Statements

Year Ended June 30, 2025

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, 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, 2025

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

g. 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, 2025 and 2024 and indicates the fair value hierarchy of the valuation techniques utilized by the Organization to determine such fair value:

	Level 1	Level 2	Level 3
2025			
Short-Term Investments			
Cash	\$ 751,076	\$ -	\$ -
Mutual Funds	843,709	-	-
Other Investments	-	-	-
Total Short-Term Investments	1,594,785	-	-
Investments and Cash Held for Endowment			
Cash	\$ 34,953	\$ -	\$ -
Mutual Funds	930,877	-	-
Total Investments and Cash Held for Endowment	965,830	-	-
Charitable Gift Annuities Payable	\$ -	\$ (93,829)	\$ -
2024			
Short-Term Investments			
Certificates of Deposits	\$ 249,858	\$ -	\$ -
Mutual Funds	768,501	-	-
Other Investments	33,674	-	-
Total Short-Term Investments	1,052,033	-	-
Investments and Cash Held for Endowment			
Cash	\$ 30,354	\$ -	\$ -
Mutual Funds	815,253	-	-
Other Investments	16,179	-	-
Total Investments and Cash Held for Endowment	861,786	-	-
Charitable Gift Annuities Payable	\$ -	\$ (120,553)	\$ -

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, 2025

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

h. 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, 2025 and 2024 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.

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

Dove Lewis Emergency Animal Hospital, Inc.

Notes to Consolidated Financial Statements

Year Ended June 30, 2025

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 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. The Organization uses the implicit rate when it is readily determinable. Since most of the Organization's leases do not provide an implicit rate, to determine the present value of lease payments, management uses the Organization's incremental borrowing rate based on the information available at lease commencement. 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 a 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.

Dove Lewis Emergency Animal Hospital, Inc.

Notes to Consolidated Financial Statements

Year Ended June 30, 2025

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. 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 and consolidated statement of functional expenses. 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.

r. Advertising

Advertising costs are expensed as incurred and are included in marketing expense in the consolidated statement of functional expenses. Advertising expenses amounted to \$818,715 and \$721,659 for the years ended June 30, 2025 and 2024, respectively.

s. 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, 2025 and 2024, 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, 2025 and 2024.

Dove Lewis Emergency Animal Hospital, Inc.

Notes to Consolidated Financial Statements

Year Ended June 30, 2025

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

s. 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, 2025 and 2024 was \$724 and \$726, 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>2025</u>	<u>2024</u>
Financial Assets	\$ 4,021,121	\$ 3,603,239
Less cash reserved for:		
Mortgage Note Payable Covenant Requirement	-	(750,000)
Equipment Fund	-	(16,325)
Building Fund	-	(436,121)
Cash and Investments Held for Charitable Gift Annuities	(93,829)	(120,553)
Less contributions receivable restricted for:		
Equipment Fund	(4,500)	(2,000)
Building Fund	(45,482)	(92,400)
Financial Assets Available Within One Year	<u>\$ 3,877,310</u>	<u>\$ 2,185,840</u>

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, 2025

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, 2025 and 2024 are as follows:

	With Expiring Restrictions	With Perpetual Restrictions	Total
Endowment net assets -			
June 30, 2023	\$ 79,139	\$ 621,390	\$ 700,529
Investment return:			
Investment income, net	22,642	-	22,642
Unrealized gains, net	80,353	-	80,353
Contributions	-	80,481	80,481
Other changes	2,781	-	2,781
Total changes	105,776	80,481	186,257
Endowment net assets -			
June 30, 2024	184,915	701,871	886,786
Investment return:			
Investment income, net	29,903	-	29,903
Unrealized gains, net	67,092	-	67,092
Contributions	-	2,020	2,020
Other changes	(4,971)	-	(4,971)
Total changes	92,024	2,020	94,044
Endowment net assets -			
June 30, 2025	<u>\$ 276,939</u>	<u>\$ 703,891</u>	<u>\$ 980,830</u>
Endowment Investments			\$ 965,830
Endowment Pledge			<u>15,000</u>
			<u>\$ 980,830</u>

Dove Lewis Emergency Animal Hospital, Inc.

Notes to Consolidated Financial Statements

Year Ended June 30, 2025

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 3.5% of the endowment balances based on the market value over the trailing 36 months. 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>2025</u>	<u>2024</u>
Medical Services	\$ 356,489	\$ 391,248
Other Receivables	<u>18,484</u>	<u>1,020</u>
	374,973	392,268
Less allowance for credit losses	<u>(156,108)</u>	<u>(73,517)</u>
Accounts Receivable (Net)	<u>\$ 218,865</u>	<u>\$ 318,751</u>

Allowance for Credit Losses

Balance, beginning of the year	\$ (73,517)	\$ (84,762)
Provisions for credit losses	(146,108)	(357,985)
Write-offs	71,039	381,188
Recoveries	<u>(7,522)</u>	<u>(11,958)</u>
Balance, end of the year	<u>\$ (156,108)</u>	<u>\$ (73,517)</u>

Dove Lewis Emergency Animal Hospital, Inc.

Notes to Consolidated Financial Statements

Year Ended June 30, 2025

5. Contributions Receivable

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

	2025	2024
Building Fund	\$ 122,150	\$ 210,800
Equipment Fund	4,500	4,000
Other Restricted Funds	15,000	23,000
Unrestricted Contributions	7,500	1,500
	149,150	239,300
Less discount to present value	(5,365)	(9,654)
Contributions Receivable (Net)	\$ 143,785	\$ 229,646
Amounts due:		
Within one year	\$ 62,482	\$ 149,900
Two to five years	81,303	79,746
Contributions Receivable (Net)	\$ 143,785	\$ 229,646

Contributions receivable due in more than one year are discounted at the rate of 3.75% and 7.07% as of June 30, 2025 and 2024, respectively.

6. Property and Equipment

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

	2025	2024
Land	\$ 888,982	\$ 888,982
Buildings	5,472,253	5,472,253
Building Improvements	8,133,957	3,427,708
Office and Computer Equipment	380,555	466,207
Medical Equipment	3,202,027	2,013,034
Total Property and Equipment	18,077,774	12,268,184
Less accumulated depreciation	(4,931,676)	(4,570,427)
Property and Equipment (Net)	\$ 13,146,098	\$ 7,697,757

Depreciation expense totaled \$672,629 and \$505,770 for the years ended June 30, 2025 and 2024, respectively.

Dove Lewis Emergency Animal Hospital, Inc.

Notes to Consolidated Financial Statements

Year Ended June 30, 2025

7. Website Development Costs

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

	2025	2024
Website Development Costs	\$ 1,272,296	\$ 1,152,836
Less accumulated amortization	(1,064,829)	(863,776)
Website Development Costs (Net)	\$ 207,467	\$ 289,060

Amortization expense amounted to \$201,053 and \$222,004 for the years ended June 30, 2025 and 2024, 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, 2025 and 2024, total assets held for charitable gift annuities of \$93,829 and \$120,553, 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, 2025 and 2024.

9. Mortgage Note Payable

As of June 30, 2024, the Organization had a mortgage note payable to a financial institution (the Mortgage Note), with interest at June 30, 2024 computed at a variable rate equal to 2.0% plus the one-month Secured Overnight Financing Rate (SOFR) of 5.34%. The Mortgage Note agreement, as amended, was a term loan with a maturity date of June 30, 2024. Required monthly principal payments ranged from \$5,700 to \$6,700 with a balloon payment of all unpaid principal and interest due upon maturity. Real property in Portland, Oregon had been pledged as security. The loan agreement contained 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 included additional funds for capital improvements, resulting in an initial principal balance of \$4,500,000. The loan matures on August 8, 2034 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 is secured by real property in Portland, Oregon and contains certain annual financial covenants. In connection with the refinancing, the Organization incurred \$63,245 of debt issuance costs. These costs were capitalized and are presented as a direct deduction from the carrying amount of the related debt. The costs are being amortized to interest expense over the term of the loan using the straight-line method.

During the year, the Organization made a significant additional principal payment of \$2,650,000, reducing the future annual debt service requirements. At June 30, 2025, the outstanding balance was \$1,688,629, of which \$22,043 is due within one year.

Dove Lewis Emergency Animal Hospital, Inc.

Notes to Consolidated Financial Statements

Year Ended June 30, 2025

9. Mortgage Note Payable (Continued)

Future maturities of mortgage note payable are as follows:

Fiscal Year Ending June 30	
2026 (current portion)	\$ 22,043
2027	23,492
2028	24,866
2029	26,842
2030	28,434
Thereafter	1,620,478
Total mortgage note payable	\$ 1,746,155

Cash paid for interest during the years ended June 30, 2025 and 2024 was \$187,296 and \$196,650, respectively.

10. Line of Credit

In April 2025, the Organization entered into a revolving line of credit agreement with its mortgage lender providing for borrowings up to \$2,000,000. The line of credit matures in two years and bears interest at a variable rate equal to the Federal Home Loan Bank three month Fixed Rate Advances, Regular Advance Rate, which was 7.158% when the line of credit was issued. Interest is payable monthly on outstanding borrowings, and principal is due at maturity. The line of credit is secured by real property in Portland, Oregon.

At June 30, 2025, there were no borrowings outstanding under the line of credit, leaving the full \$2,000,000 available.

11. Tenant Improvement Note Payable

On July 1, 2024, the Organization entered into a loan agreement with its landlord to finance the Organization's share of customized leasehold improvements in a newly constructed building near the Organization's existing facility in Portland, Oregon, not to exceed \$5,400,000. The maximum borrowing on the loan was \$4,622,840. The loan requires 5% annual interest payments and a principal balloon payment due in five years. Certain covenants apply. At June 30, 2025, the outstanding balance of the loan was \$3,572,965. The leasehold improvements financed by the loan are recorded in property and equipment at cost of \$4,622,840, less accumulated depreciation of \$84,765. Cash paid for interest during the year ended June 30, 2025 was \$165,998.

12. Net Assets with Donor Restrictions

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

	2025	2024
Financial Assistance and Other	\$ 11,593	\$ 168,185
Equipment and Building	-	667,246
Earnings on Endowment	276,939	184,915
Total Net Assets with Expiring Donor Restrictions	288,532	1,020,346
Net Assets with Perpetual Donor Restrictions	703,891	701,871
Total Net Assets with Donor Restrictions	\$ 992,423	\$ 1,722,217

Dove Lewis Emergency Animal Hospital, Inc.

Notes to Consolidated Financial Statements

Year Ended June 30, 2025

13. Revenue from Contracts with Customers

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

	<u>2025</u>	<u>2024</u>
Point in Time:		
Medical Revenue	\$ 27,531,780	\$ 26,081,485
Event Income (included in contributions)	32,097	152,203
Monthly Subscriptions	132,878	124,170
Product Sales	37,989	56,839
Other	1,979	4,553
Over time:		
Annual Subscriptions	833,477	855,289
Total Revenue from Contracts with Customers	<u>\$ 28,570,200</u>	<u>\$ 27,274,539</u>

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

	<u>2025</u>	<u>2024</u>	<u>2023</u>
Contract Assets (Accounts Receivable)			
Point in Time	\$ 356,489	\$ 391,248	\$ 502,785
Total Contract Assets	<u>\$ 356,489</u>	<u>\$ 391,248</u>	<u>\$ 502,785</u>
Contract Liabilities (Deferred Revenue)			
Point in Time	\$ 96,320	\$ 95,506	\$ 206,714
Over Time	467,168	383,807	355,345
Total Contract Liabilities	<u>\$ 563,488</u>	<u>\$ 479,312</u>	<u>\$ 562,059</u>

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>2025</u>	<u>2024</u>
Gross Medical Revenue	\$ 27,531,780	\$ 26,081,485
Charitable Assistance	(737,582)	(701,029)
Discounts and Adjustments	(697,866)	(671,710)
Medical Revenue (Net)	<u>\$ 26,096,332</u>	<u>\$ 24,708,746</u>

Dove Lewis Emergency Animal Hospital, Inc.

Notes to Consolidated Financial Statements

Year Ended June 30, 2025

14. 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.

15. Contributed Nonfinancial Assets

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

	2025	2024
Event Supplies – Development	\$ 277	\$ 60,455
Supplies – Program Services	2,747	8,176
Facility Usage – Administrative	-	2,244
Professional Services – Program Services	3,151	11,047
Total Contributed Nonfinancial Assets	\$ 6,175	\$ 81,922

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.

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.

Dove Lewis Emergency Animal Hospital, Inc.

Notes to Consolidated Financial Statements

Year Ended June 30, 2025

16. 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:

	2025	2024
Building Fund	\$ 2,054,088	\$ 32,867
Financial Assistance Fund	359,827	356,788
Equipment Fund	1,075,325	-
Stray Animal and Wildlife Fund	46,668	58,478
Animal Assisted Therapy	53,469	91,794
Pet Loss	2,408	29,295
Other Funds	32,408	29,842
Total Net Assets Released from Restrictions	<u>\$ 3,624,193</u>	<u>\$ 599,064</u>

17. 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 fiscal year ended June 30, 2025. The Organization did not contribute to the Plan for the fiscal year ended June 30, 2024. All contributions are immediately vested. Plan expenses recognized by the Organization for the years ended June 30, 2025 and 2024 were \$304,284 and \$0 respectively.

18. Leases

The Organization evaluated current contracts to determine which met the criteria of a lease. Right-of-use (ROU) assets represent the Organization's right to use underlying assets for the lease term, and lease liabilities represent the Organization's obligation to make lease payments arising from these leases. ROU assets and lease liabilities, all of which arise from operating leases, are calculated based on the present value of future lease payments over the lease terms.

The Organization's operating leases consist of leases for clinic space, office space and dedicated parking with remaining lease terms of about 19 years. A member of the board of the Organization is a partial owner of the entity that owns and leases the property to the Organization.

The lease term includes three five-year extensions, available at the Organization's option, which it is reasonably certain to exercise. Therefore, the payments associated with the extensions are included in the ROU asset and the lease liability recognized.

Dove Lewis Emergency Animal Hospital, Inc.

Notes to Consolidated Financial Statements

Year Ended June 30, 2025

18. Leases (Continued)

The following summarizes the line items in the statements of financial position which include amounts for operating leases as of June 30, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Right-of-Use-Assets	<u>\$ 6,631,931</u>	<u>\$ -</u>
Lease liabilities-current portion	\$ 67,446	\$ -
Noncurrent lease liabilities	<u>6,762,391</u>	<u>-</u>
Total Operating Lease Liabilities	<u>\$ 6,829,837</u>	<u>\$ -</u>

The following summarizes the weighted average remaining lease term and discount rate as of June 30, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Weighted average remaining lease term	19.4 years	N/A
Weighted average discount rate	7.18%	N/A

The maturities of operating lease liabilities as of June 30, 2025 are as follows:

Year ending June 30, 2026	\$ 555,810
2027	572,484
2028	589,657
2029	607,342
2030	625,560
Thereafter	<u>10,119,852</u>
	13,070,705
Less discount/interest	<u>(6,240,868)</u>
Present Value of Lease Liabilities	<u>\$ 6,829,837</u>

For the year ended June 30, 2025, total operating lease cost of \$386,736 are included in facilities and equipment leases in the statement of functional expenses.

The following summarizes cash flow information related to leases for the year ended June 30, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Cash paid during the year for operating leases	\$ 188,831	\$ -
Non-cash investing and financing activity:		
Obtaining right-of-use assets in exchange for lease liabilities	6,775,470	-

The Organization also leases office equipment under various operating leases expiring through July 2028, which fall outside of the scope of ASC 842, and therefore are not included in the ROU asset or the lease liability as of June 30, 2025 or June 30, 2024. Total expenses were \$28,849 and \$42,925 for the years ended June 30, 2025 and 2024, respectively. Future maturities of the office equipment leases total approximately \$56,472 and \$30,022 for the years ending June 30, 2025 and 2024, respectively.

Dove Lewis Emergency Animal Hospital, Inc.

Notes to Consolidated Financial Statements

Year Ended June 30, 2025

19. Concentration Risk

The Organization maintains its operating cash, cash equivalents and short-term investments in four 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, 2025 and 2024.

Three donors represented approximately 77% and 73% of the total contributions receivable as of June 30, 2025 and 2024, respectively.

20. Subsequent Events

On August 4, 2025, the Organization received a donor-restricted gift totaling approximately \$3.45 million to establish a new endowment fund. Because the contribution was received after June 30, 2025, it is not reflected in the accompanying financial statements.

Management has evaluated, for potential recognition or disclosure in the consolidated financial statements, subsequent events that have occurred through October 6, 2025 which is the date that the consolidated financial statements were available to be issued, and has determined that, except for the event described above, no other material subsequent events have occurred that would require adjustment to, or disclosure in, the financial statements.