



DoveLewis Emergency  
Animal Hospital, Inc.

Consolidated  
Financial Statements

Years Ended  
June 30, 2020  
and 2019

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5885 Meadows Road, No. 200 / Lake Oswego, OR 97035 / 503.697.4118 / delapcpa.com

## **Independent Auditors' Report**

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To the Board of Directors of  
DoveLewis Emergency Animal Hospital, Inc.

We have audited the accompanying consolidated financial statements of DoveLewis Emergency Animal Hospital, Inc. (an Oregon nonprofit organization) and subsidiary, which comprise the consolidated statement of financial position as of June 30, 2020 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.

### **Management's Responsibility for the Consolidated Financial Statements**

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

### **Auditors' Responsibility**

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

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

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

### **Opinion**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of DoveLewis Emergency Animal Hospital, Inc. and subsidiary as of June 30, 2020, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.



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

We have previously audited DoveLewis Emergency Animal Hospital, Inc. and subsidiary's 2019 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated October 24, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

DELAP LLP

October 9, 2020

# ***DoveLewis Emergency Animal Hospital, Inc.***

## Consolidated Statements of Financial Position

As of June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and Cash Equivalents	\$ 4,647,412	\$ 2,267,716
Cash from Paycheck Protection Program Loan	1,959,741	-
Short-Term Investments	242,553	1,686,297
Accounts Receivable (Net)	152,405	109,371
Contributions Receivable (Net)	106,518	424,141
Inventories	296,537	264,578
Unemployment Trust Fund	111,353	78,369
Prepaid Expenses	259,683	223,228
<b>TOTAL CURRENT ASSETS</b>	<b><u>7,776,202</u></b>	<b><u>5,053,700</u></b>
<b>PROPERTY AND EQUIPMENT (NET)</b>	<b><u>8,204,096</u></b>	<b><u>8,130,384</u></b>
<b>Other Noncurrent Assets</b>		
Contributions Receivable (Net)	116,240	84,215
Website Development Costs (Net)	65,386	75,075
<b>TOTAL OTHER NONCURRENT ASSETS</b>	<b><u>181,626</u></b>	<b><u>159,290</u></b>
<b>TOTAL ASSETS</b>	<b><u>\$ 16,161,924</u></b>	<b><u>\$ 13,343,374</u></b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current Liabilities</b>		
Accounts Payable	\$ 447,173	\$ 596,921
Deferred Revenue	308,597	287,884
Accrued Payroll Liabilities	840,674	574,157
Retirement Plan Contribution Payable	221,146	166,058
Mortgage Note Payable, Current	70,800	2,640,305
Charitable Gift Annuities Payable, Current	24,750	24,750
<b>TOTAL CURRENT LIABILITIES</b>	<b><u>1,913,140</u></b>	<b><u>4,290,075</u></b>
<b>Noncurrent Liabilities</b>		
Mortgage Note Payable, Long-Term	2,748,905	-
Paycheck Protection Program Loan Payable	1,959,741	-
Charitable Gift Annuities Payable, Long-Term	169,127	185,706
Interest Rate Swap Agreement	77,032	47,568
<b>TOTAL NONCURRENT LIABILITIES</b>	<b><u>4,954,805</u></b>	<b><u>233,274</u></b>
<b>TOTAL LIABILITIES</b>	<b><u>6,867,945</u></b>	<b><u>4,523,349</u></b>
<b>Net Assets</b>		
Net Assets Without Donor Restrictions	8,750,107	7,935,570
Net Assets With Donor Restrictions	543,872	884,455
<b>TOTAL NET ASSETS</b>	<b><u>9,293,979</u></b>	<b><u>8,820,025</u></b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 16,161,924</u></b>	<b><u>\$ 13,343,374</u></b>

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, 2020 (with summarized financial information for the year ended June 30, 2019)

	<b>2020</b>			
	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	<b>Total</b>	2019 Total
<b>Revenue and Support</b>				
Medical Revenue (Net)	\$ 16,842,022	\$ -	\$ 16,842,022	\$ 13,406,289
Education Program Revenue	649,549	-	649,549	665,905
Contributions - OCF	438,049	-	438,049	439,008
Other Contributions	1,049,181	1,068,254	2,117,435	2,065,338
Noncash and In-Kind Contributions	120,055	41,290	161,345	194,301
Special Events	128,367	50,902	179,269	249,005
Interest Income	24,831	-	24,831	30,510
Rental Income	19,195	-	19,195	22,947
County Stray Reimbursement	36,000	-	36,000	36,000
Miscellaneous Income	23,907	-	23,907	122,338
	<u>19,331,156</u>	<u>1,160,446</u>	<u>20,491,602</u>	<u>17,231,641</u>
Net Assets Released From Restrictions	1,501,029	(1,501,029)	-	-
<b>Total Revenue and Support</b>	<u>20,832,185</u>	<u>(340,583)</u>	<b><u>20,491,602</u></b>	<u>17,231,641</u>
<b>Functional Expenses</b>				
Program Services				
Clinic	15,607,946	-	15,607,946	12,237,626
Pet Loss Support	129,828	-	129,828	92,245
Animal Assisted Therapy	94,832	-	94,832	89,223
Blood Bank	138,508	-	138,508	113,942
Stray Animal and Wildlife	374,677	-	374,677	290,919
Financial Assistance	421,788	-	421,788	346,680
Education	592,780	-	592,780	588,986
Total Program Services	<u>17,360,359</u>	<u>-</u>	<u>17,360,359</u>	<u>13,759,621</u>
Supporting Services				
General and Administrative	1,726,164	-	1,726,164	1,563,635
Development	869,042	-	869,042	1,045,068
Total Supporting Services	<u>2,595,206</u>	<u>-</u>	<u>2,595,206</u>	<u>2,608,703</u>
<b>Total Functional Expenses</b>	<u>19,955,565</u>	<u>-</u>	<b><u>19,955,565</u></b>	<u>16,368,324</u>
<b>Other Expenses</b>				
Net Loss on Disposal of Assets	9,847	-	9,847	3,326
Net Unrealized Loss on Investments	52,236	-	52,236	38,093
<b>Total Other Expenses</b>	<u>62,083</u>	<u>-</u>	<b><u>62,083</u></b>	<u>41,419</u>
Change in Net Assets	814,537	(340,583)	473,954	821,898
Net Assets - Beginning of Year	7,935,570	884,455	8,820,025	7,998,127
Net Assets - End of Year	<u>\$ 8,750,107</u>	<u>\$ 543,872</u>	<b><u>\$ 9,293,979</u></b>	<u>\$ 8,820,025</u>

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, 2020 (with summarized financial information for the year ended June 30, 2019)

	<b>Program Services</b>							<b>Supporting Services</b>			<b>2020 Total</b>	<b>2019 Total</b>	
	Clinic	Pet Loss Support	Animal Assisted Therapy	Blood Bank	Stray Animal and Wildlife	Financial Assistance	Education	Total Program Services	General and Administrative	Development			Total Supporting Services
Salaries	\$ 8,652,204	\$ 65,969	\$ 53,663	\$ 46,889	\$ 271,304	\$ 305,696	\$ 226,206	\$ 9,621,931	\$ 1,112,570	\$ 457,843	\$ 1,570,413	\$ 11,192,344	\$ 8,933,366
Contracted Services	717,767	-	-	-	-	-	20,474	738,241	24,333	-	24,333	762,574	639,934
Payroll Taxes	649,346	5,141	4,297	3,877	18,769	21,148	16,417	718,995	85,804	34,197	120,001	838,996	733,120
Employee Benefits	1,167,608	15,721	15,352	13,386	36,782	41,444	25,251	1,315,544	164,015	68,746	232,761	1,548,305	1,230,073
Staff Recruitment	91,484	231	-	-	-	-	562	92,277	8,001	-	8,001	100,278	79,668
Medical Supplies	1,577,809	-	-	59,371	46,870	52,811	-	1,736,861	-	-	-	1,736,861	1,390,991
Facilities Rent	27,286	7,556	8,556	40	-	-	30,146	73,584	103,634	45,259	148,893	222,477	199,734
Repairs and Maintenance	354,621	7	7	371	-	-	28	355,034	361	42	403	355,437	290,411
Property Security	53,370	-	-	-	-	-	-	53,370	-	-	-	53,370	-
Supplies and Equipment	234,667	8,501	1,538	3,194	-	-	3,564	251,464	23,808	8,095	31,903	283,367	206,308
Outside Professional Services	200,156	240	240	192	-	-	49,520	250,348	128,505	34,784	163,289	413,637	312,131
Insurance	37,108	461	461	461	-	-	922	39,413	5,160	1,844	7,004	46,417	42,174
Administrative	66,593	416	6,779	3,147	263	-	1,650	78,848	36,890	11,595	48,485	127,333	194,507
Taxes and Licenses	128,579	3	3	3	-	-	6	128,594	650	13	663	129,257	123,986
Utilities	146,072	1,759	1,344	490	-	-	1,693	151,358	14,919	4,960	19,879	171,237	158,118
Marketing	318,101	19,998	1,304	882	120	120	118,830	459,355	3,543	54,425	57,968	517,323	517,913
Fundraising Event	-	-	-	-	-	-	-	-	-	146,807	146,807	146,807	294,832
Education Event	-	-	-	-	-	-	58,824	58,824	-	-	-	58,824	59,553
Printing and Postage	9,971	3,429	1,004	5,921	-	-	279	20,604	2,708	8,756	11,464	32,068	22,807
Dues and Subscriptions	4,687	112	-	-	-	-	10,525	15,324	3,561	2,371	5,932	21,256	14,541
Bank and Loan Fees	465,765	-	-	-	-	-	20,282	486,047	7,702	8,823	16,525	502,572	372,648
Bad Debts	188,263	-	-	-	-	-	-	188,263	-	(21,225)	(21,225)	167,038	169,993
Depreciation and Amortization	401,750	284	284	284	569	569	7,601	411,341	-	1,707	1,707	413,048	298,146
Interest	114,739	-	-	-	-	-	-	114,739	-	-	-	114,739	83,370
<b>Total Expenses</b>	<b>\$ 15,607,946</b>	<b>\$ 129,828</b>	<b>\$ 94,832</b>	<b>\$ 138,508</b>	<b>\$ 374,677</b>	<b>\$ 421,788</b>	<b>\$ 592,780</b>	<b>\$ 17,360,359</b>	<b>\$ 1,726,164</b>	<b>\$ 869,042</b>	<b>\$ 2,595,206</b>	<b>\$ 19,955,565</b>	<b>\$ 16,368,324</b>

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

# ***DoveLewis Emergency Animal Hospital, Inc.***

## Consolidated Statements of Cash Flows

Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<b>Cash Flows from Operating Activities</b>		
Change in Net Assets	\$ 473,954	\$ 821,898
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and Amortization Expense	413,048	298,146
Provision for Bad Debts	192,323	180,649
Net Loss on Property and Equipment	14,017	3,326
Net Loss (Gain) on Short-Term Investments	10,698	(10,607)
Donated Equipment	(83,409)	(47,980)
Change in Fair Value of Charitable Gift Annuities Payable	8,171	8,819
Change in Fair Value of Interest Rate Swap Agreement	29,464	39,926
Contributions Restricted for Building and Equipment Funds	(963,382)	(483,129)
(Increase) Decrease in Assets		
Accounts Receivable	(256,582)	(132,300)
Contributions Receivable	306,823	(316,866)
Inventories	(31,959)	(49,301)
Unemployment Trust Fund	(32,984)	17,440
Prepaid Expenses	(36,455)	(17,412)
Increase (Decrease) in Liabilities		
Accounts Payable	(149,748)	275,216
Deferred Revenue	20,713	22,512
Accrued Liabilities	266,517	148,563
Retirement Plan Contribution Payable	55,088	15,613
<b>Net Cash Provided by OPERATING ACTIVITIES</b>	<b><u>236,297</u></b>	<b><u>774,513</u></b>
<b>Cash Flows from Investing Activities</b>		
Net proceeds from Sale of Short-Term Investments	1,433,046	364,152
Purchases of Property and Equipment	(393,026)	(2,894,381)
Net Proceeds from Sale of Property and Equipment	11,705	2,767
Website Development Costs	(26,358)	(57,246)
<b>Net Cash Provided (Used) by INVESTING ACTIVITIES</b>	<b><u>1,025,367</u></b>	<b><u>(2,584,708)</u></b>
<b>Cash Flows from Financing Activities</b>		
Proceeds from Paycheck Protection Program Loan	1,959,741	-
Payments on Mortgage Note Payable	(70,600)	(60,000)
Increase in Mortgage Note Payable	250,000	1,000,000
Contributions Restricted for Building and Equipment Funds	963,382	483,129
Payments on Charitable Gift Annuities Payable	(24,750)	(24,750)
<b>Net Cash Provided by FINANCING ACTIVITIES</b>	<b><u>3,077,773</u></b>	<b><u>1,398,379</u></b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>4,339,437</b>	<b>(411,816)</b>
Cash and Cash Equivalents - Beginning of Year	<u>2,267,716</u>	<u>2,679,532</u>
<b>Cash and Cash Equivalents - End of Year</b>	<b><u>\$ 6,607,153</u></b>	<b><u>\$ 2,267,716</u></b>

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



# ***DoveLewis Emergency Animal Hospital, Inc.***

## **Notes to Consolidated Financial Statements**

Years Ended June 30, 2020 and 2019

### **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 not-for-profit animal emergency and critical care 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 25,000 patients annually at its NW Portland, Oregon location.

DoveLewis' staff of 183 employees includes many board-certified specialists, including five board-certified critical care specialists, three board-certified surgeons, two board-certified internal medicine specialists, one board-certified cardiology specialist and four specialty board-certified veterinary technicians. DoveLewis is one of just two Veterinary Emergency and Critical Care Society (VECCS) level 1 facilities in the Northwest 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 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 two veterinary hospitals in Africa. DoveLewis also offers many seminars and classes for pet owners.

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 counseling sessions, a 24-hour grief support hotline, and memorial art 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 Animal and Wildlife Program. This 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) Program, 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, 2020 and 2019 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.

# ***DoveLewis Emergency Animal Hospital, Inc.***

## **Notes to Consolidated Financial Statements**

Years Ended June 30, 2020 and 2019

### **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, 2019, 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.

Deferred revenue represents subscriptions for online educational services, ticket sales for upcoming events, and deposits received from clients for medical treatments to be performed. Revenue for educational subscription services is recognized ratably over the subscription term, which is usually one year. Revenue from ticket sales is recognized during the month in which the event takes place. Deposits from clients are recognized as revenue once medical treatments have been performed.

#### **e. COVID-19**

On March 11, 2020, the World Health Organization recognized COVID-19 as a global pandemic, prompting national and local governments to implement protective measures, such as travel and business restrictions, temporary store closures, and wide-sweeping stay-at-home orders. The Organization's services were designated essential in nature and therefore have not been materially interrupted. As the pandemic continues to progress, the Organization is closely monitoring the effect of COVID-19 on all aspects of the business, including customers, subcontractors, suppliers, vendors and employees. The COVID-19 pandemic remains a rapidly evolving situation, and the extent of its impact on the Organization's financial results will depend on future developments, including the duration of the outbreak and the related influence on consumer confidence and spending, all of which are highly uncertain.

# ***DoveLewis Emergency Animal Hospital, Inc.***

## Notes to Consolidated Financial Statements

Years Ended June 30, 2020 and 2019

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

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

The preparation of consolidated financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements. Assumptions also affect the reported amounts of revenue and expenses during the financial statement period. Actual results could differ from these estimates and may impact future periods, particularly given the significant economic disruptions and uncertainties associated with the ongoing COVID-19 pandemic.

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

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

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

GAAP requires the Organization to disclose the valuation techniques, types of inputs, and fair value hierarchy for all financial assets and liabilities, and certain non-financial assets and liabilities, that are being measured and reported at fair value on a recurring or non-recurring basis. Items carried at fair value on a recurring basis consist of short-term investments, charitable gift annuities payable, and the interest rate swap agreement. 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, 2020 and 2019 and indicates the fair value hierarchy of the valuation techniques utilized by the Organization to determine such fair value:

<b>2020</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Short-Term Investments: Mutual Funds	\$ 242,553	\$ -	\$ -
Charitable Gift Annuities Payable	\$ -	\$ 193,877	\$ -
Interest Rate Swap Liability	\$ -	\$ 77,032	\$ -
<b>2019</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Short-Term Investments: Commercial Paper	\$ 1,350,345	\$ -	\$ -
Short-Term Investments: Mutual Funds	\$ 335,952	\$ -	\$ -
Charitable Gift Annuities Payable	\$ -	\$ 210,456	\$ -
Interest Rate Swap Liability	\$ -	\$ 47,568	\$ -

# ***DoveLewis Emergency Animal Hospital, Inc.***

## **Notes to Consolidated Financial Statements**

Years Ended June 30, 2020 and 2019

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

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

Short-term 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%.

The fair value of the interest rate swap agreement was estimated by US 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 9 for additional information).

#### **i. 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. As a result of the COVID-19 pandemic, the Organization granted extended payment terms to certain customers who expressed financial hardships and did not write off any accounts receivable in the last quarter of the year ended June 30, 2020.

#### **j. Inventories**

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

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

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

# ***DoveLewis Emergency Animal Hospital, Inc.***

## **Notes to Consolidated Financial Statements**

Years Ended June 30, 2020 and 2019

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

#### **i. Property and Equipment**

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 expensed as incurred.

Equipment under capital 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

#### **m. Contributions**

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.

#### **n. Promises to Give**

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. Noncash and In-Kind Contributions**

Contributed materials and supplies are recorded as revenue and support as received and expenses when used. Contributed services are reported as contributions at their estimated fair value if such services create or enhance non-financial assets or would have been purchased if not provided by donation, require specialized skills, and are provided by individuals possessing such specialized skills. 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.

# ***DoveLewis Emergency Animal Hospital, Inc.***

## **Notes to Consolidated Financial Statements**

Years Ended June 30, 2020 and 2019

### **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 8 and 9). 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. Management and general 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 expense amounted to \$466,541 and \$428,964 for the years ended June 30, 2020 and 2019, 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, 2020 and 2019, 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.

# ***DoveLewis Emergency Animal Hospital, Inc.***

## Notes to Consolidated Financial Statements

Years Ended June 30, 2020 and 2019

### **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, 2020 and 2019.

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, 2020 and 2019 was \$619 and \$955, 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 statements of financial position are as follows as of June 30:

	<u>2020</u>	<u>2019</u>
Financial Assets	<b>\$ 7,108,629</b>	\$ 4,487,525
Less cash reserved for:		
Mortgage Note Payable Covenant Requirement	<b>(750,000)</b>	(250,000)
Paycheck Protection Program	<b>(1,959,741)</b>	-
Financial Assistance in Future Periods	<b>(175,501)</b>	(269,569)
Equipment Fund	<b>(42,370)</b>	(49,179)
Less contributions receivable restricted for:		
Building Fund	<b>(89,397)</b>	(305,384)
<b>Financial Assets Available Within One Year</b>	<b><u>\$ 4,091,620</u></b>	<b><u>\$ 3,613,393</u></b>

## ***DoveLewis Emergency Animal Hospital, Inc.***

### Notes to Consolidated Financial Statements

Years Ended June 30, 2020 and 2019

#### **3. Accounts Receivable**

Accounts receivable consist of the following as of June 30:

	<u>2020</u>	<u>2019</u>
Medical Services	\$ 231,666	\$ 152,172
Other Receivables	<u>3,685</u>	<u>5,329</u>
	<b>235,351</b>	157,501
Less allowance for uncollectible accounts	<u>(82,946)</u>	<u>(48,130)</u>
<b>Accounts Receivable (Net)</b>	<b><u>\$ 152,405</u></b>	<b><u>\$ 109,371</u></b>

#### **4. Contributions Receivable**

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

	<u>2020</u>	<u>2019</u>
Financial Assistance Fund	\$ 4,000	\$ 50,000
Building Fund	<b>209,743</b>	394,625
Other Restricted Funds	<b>8,121</b>	11,974
Unrestricted Contributions	<u>10,000</u>	<u>83,108</u>
	<b>231,864</b>	539,707
Less allowance for uncollectible accounts	<u>(5,000)</u>	<u>(26,325)</u>
Less discount to present value	<u>(4,106)</u>	<u>(5,026)</u>
<b>Contributions Receivable (Net)</b>	<b><u>\$ 222,758</u></b>	<b><u>\$ 508,356</u></b>
Amounts due in		
Less than one year	\$ 111,518	\$ 450,466
One to five years	<u>120,346</u>	<u>89,241</u>
<b>Total Contributions Receivable</b>	<b><u>\$ 231,864</u></b>	<b><u>\$ 539,707</u></b>

Contributions receivable due in more than one year are discounted at the rate of 2.07% and 4.29% as of June 30, 2020 and 2019, respectively.



## ***DoveLewis Emergency Animal Hospital, Inc.***

### Notes to Consolidated Financial Statements

Years Ended June 30, 2020 and 2019

#### **5. Property and Equipment**

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

	<u>2020</u>	<u>2019</u>
Land	\$ 888,982	\$ 888,982
Building	5,472,253	5,472,253
Building Improvements	3,345,472	135,738
Office and Computer Equipment	418,321	372,772
Medical Equipment	1,535,546	1,495,702
<b>Total Depreciable Property and Equipment</b>	<b>11,660,574</b>	8,365,447
Less accumulated depreciation	<b>(3,456,478)</b>	(3,142,101)
	<b>8,204,096</b>	5,223,346
Construction in progress	-	2,907,038
<b>Property and Equipment (Net)</b>	<b>\$ 8,204,096</b>	\$ 8,130,384

Construction in progress as of June 30, 2019 represents costs incurred for the expansion and remodel of the current building to create a multi-specialty hospital. The expansion and remodel project concluded in October 2019 and these costs are included in Building Improvements as of June 30, 2020.

#### **6. Website Development Costs**

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

	<u>2020</u>	<u>2019</u>
Website Development Costs	\$ 379,394	\$ 353,036
Less accumulated amortization	<b>(314,008)</b>	(277,961)
<b>Website Development Costs (Net)</b>	<b>\$ 65,386</b>	\$ 75,075

Amortization expense amounted to \$36,047 and \$41,658 for the years ended June 30, 2020 and 2019, respectively, and is included in depreciation and amortization expense in the accompanying consolidated statement of functional expenses.

Estimated future amortization expense is as follows:

Year ending June 30,	
2021	\$ 40,822
2022	19,789
2023	4,775
<b>Total Future Amortization Expense</b>	<b>\$ 65,386</b>

# ***DoveLewis Emergency Animal Hospital, Inc.***

## Notes to Consolidated Financial Statements

Years Ended June 30, 2020 and 2019

### **7. 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, 2020 and 2019, total assets held for charitable gift annuities of \$193,877 and \$210,456, 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, 2020 and 2019.

### **8. Mortgage Note Payable**

As of June 30, 2020 and 2019, the Organization has a mortgage note payable to a financial institution (the Mortgage Note). The terms of the agreement were established in March 2018 with required monthly principal payments of \$5,000 for the first 24 months and \$6,000 thereafter. Interest is computed at a variable rate equal to 1.9% plus the one-month London Interbank Offered Rate (LIBOR). As of June 30, 2020 and 2019, LIBOR was .16% and 2.4%, respectively. Cash paid for interest during the years ended June 30, 2020 and 2019 was \$112,367 and \$84,754, respectively.

In September 2018, the Mortgage Note agreement was amended to become an interest-only construction line of credit, allowing for additional draws up to a total of \$4,700,000 through June 30, 2019. In April 2019, the Mortgage Note agreement was further amended to extend the maturity date to October 31, 2019, with a balloon payment of all unpaid principal and interest due upon maturity. As a result, the entire note payable was classified as a current liability in the accompanying consolidated statement of financial position as of June 30, 2019.

In October 2019, the Mortgage Note agreement was amended yet again, converting the outstanding principal balance of \$2,870,305 back to 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.

Future maturities of the Mortgage Note as of June 30, 2020 are as follows:

2021	\$	70,800
2022		73,600
2023		76,800
2024		<u>2,598,505</u>
<b>Total</b>	<b>\$</b>	<b><u>2,819,705</u></b>

### **9. Interest Rate Swap Agreement**

In March 2018, the Organization entered into an interest rate swap agreement with US Bank to reduce the Organization's exposure to variability in interest rates on the Mortgage Note (see Note 8). The interest rate swap agreement contains the following terms as of June 30, 2020:

<u>Notional Amount</u>	<u>Variable Rate</u>	<u>Fixed Rate</u>	<u>Maturity Date</u>
\$1,000,000	1-Month LIBOR	2.889%	March 21, 2023

# ***DoveLewis Emergency Animal Hospital, Inc.***

## Notes to Consolidated Financial Statements

Years Ended June 30, 2020 and 2019

### **10. Paycheck Protection Program Loan**

In March 2020, the U.S. Congress passed the Coronavirus Aid, Relief and Economic Security Act (the CARES Act) which provided financial assistance to individuals and businesses in an effort to protect the country from the economic impact of the COVID-19 pandemic. Under the CARES Act, Paycheck Protection Program (PPP) loans were made available to small businesses as a direct incentive to keep their workers on the payroll throughout the crisis. Accordingly, in May 2020, the Organization obtained a PPP loan in the amount of \$1,959,741. Payment of principal and interest is deferred for the first 16 months. PPP loans, including accrued interest, may be forgiven if all employee retention criteria are met and the funds are used for eligible expenses during the 24-week coverage period. The Organization is currently evaluating the extent to which it believes its PPP loan may be forgiven as guidance from the Small Business Administration continues to evolve. The entire loan is classified as long-term in the accompanying consolidated statement of financial position as of June 30, 2020, based on the expectation that no payments will be made within the next 12 months. Any portion of the PPP loan that is not forgiven will accrue interest at a rate of 1% with a note maturity date of May 2022.

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

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

	<u>2020</u>	<u>2019</u>
Financial Assistance	\$ <b>491,502</b>	\$ 752,168
Equipment and Building	<b>42,370</b>	49,179
Future Periods	<u><b>10,000</b></u>	<u>83,108</u>
<b>Total Net Assets with Donor Restrictions</b>	<u><b>\$ 543,872</b></u>	<u>\$ 884,455</u>

### **12. Medical Revenue**

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>2020</u>	<u>2019</u>
Gross Medical Revenue	\$ <b>18,090,808</b>	\$ 14,385,671
Charitable Assistance	<b>(794,824)</b>	(611,030)
Discounts and Adjustments	<u><b>(453,962)</b></u>	<u>(368,352)</u>
<b>Medical Revenue (Net)</b>	<u><b>\$ 16,842,022</b></u>	<u>\$ 13,406,289</u>

### **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.

# ***DoveLewis Emergency Animal Hospital, Inc.***

## Notes to Consolidated Financial Statements

Years Ended June 30, 2020 and 2019

### **14. Noncash and In-Kind Contributions**

Materials, supplies, services, and shares of stock are contributed to support hospital services, program activities, and general operations. These noncash and in-kind contributions were valued at the following amounts for the years ended June 30:

	<u>2020</u>	<u>2019</u>
Professional Services	\$ <b>18,727</b>	\$ 26,988
Event Services and Supplies	<b>56,095</b>	114,642
Medical Supplies and Equipment	<b>39,071</b>	17,715
Operational Services and Supplies	<b>16,979</b>	22,319
Stock	<b>30,473</b>	12,637
<b>Total Noncash and In-Kind Contributions</b>	<b><u>\$ 161,345</u></b>	<b><u>\$ 194,301</u></b>

Many individuals volunteer their time and perform a variety of tasks that assist the Organization. These services do not meet the criteria for recognition as contributed services under GAAP. In addition to their time, many individuals donate their pet's blood to DoveLewis' 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:

	<u>2020</u>	<u>2019</u>
Building Fund	\$ <b>805,444</b>	\$ 892,847
Financial Assistance Fund	<b>421,788</b>	351,070
Animal Assisted Therapy	<b>51,987</b>	3,916
Pet Loss Support	<b>46,763</b>	35,306
Stray Animal and Wildlife Fund	<b>40,383</b>	51,628
Other Funds	<b>51,082</b>	63,297
Pledges Released from Time Restrictions	<b>83,582</b>	134,211
<b>Total Net Assets Released from Restrictions</b>	<b><u>\$ 1,501,029</u></b>	<b><u>\$ 1,532,275</u></b>

### **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. DoveLewis' Board of Directors (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, 2020 and 2019. All contributions are immediately vested. Plan expenses recognized by the Organization for the years ended June 30, 2020 and 2019 were \$223,250 and \$166,058 respectively.

# ***DoveLewis Emergency Animal Hospital, Inc.***

## **Notes to Consolidated Financial Statements**

Years Ended June 30, 2020 and 2019

### **17. Operating Leases**

The Organization leases property and equipment under various operating leases expiring through July 2024. Total expenses were \$20,953 and \$20,422 for the years ended June 30, 2020 and 2019, respectively.

The Organization entered into a sublease agreement for office space beginning in August 2018 and ending in September 2021. Monthly rental payments under this sublease agreement range from \$16,394 to \$17,914. Total expenses were \$203,634 and \$181,316 for the years ended June 30, 2020 and 2019, respectively.

Future minimum rental payments under non-cancelable operating lease agreements that have initial or remaining lease terms in excess of one year are as follows:

Year ending June 30,	
2021	\$ 226,186
2022	69,798
2023	14,076
2024	11,730
<b>Total Future Minimum Rental Payments</b>	<b>\$ 321,790</b>

### **18. Related Party Transactions**

During the years ended June 30, 2020 and 2019, the Organization recognized \$71,925 and \$92,588, respectively, in contributions from members of the Board and organizations in which the members of the Board have a material financial interest. The Organization had contributions receivable of \$12,908 and \$29,625 from members of the Board for the years ended June 30, 2020 and 2019, respectively.

The Organization had no payments for services to vendors that employ a member of the Board during the years ended June 30, 2020 and 2019.

### **19. Concentration Risk**

The Organization maintains its operating cash and cash equivalents in two financial institutions. The balances at each financial institution 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 a maximum of \$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 68% and 67% of total medical supplies expense for the years ended June 30, 2020 and 2019, respectively.

Three donors represented approximately 75% and 74% of the total contributions receivable as of June 30, 2020 and 2019, respectively.

### **20. Subsequent Events**

Management has evaluated, for potential recognition or disclosure in the consolidated financial statements, subsequent events that have occurred through October 9, 2020 which is the date that the consolidated financial statements were available to be issued.