



DoveLewis Emergency
Animal Hospital, Inc.

Consolidated
Financial Statements

Years Ended
June 30, 2021
and 2020

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Independent Auditors' Report

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, 2021 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, 2021, 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 2020 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated October 9, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

DELAP LLP

October 7, 2021

DoveLewis Emergency Animal Hospital, Inc.

Consolidated Statements of Financial Position

As of June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 5,297,487	\$ 6,607,153
Short-Term Investments	3,259,331	242,553
Accounts Receivable (Net)	189,403	152,405
Contributions Receivable (Net)	91,346	106,518
Inventories	307,140	296,537
Unemployment Trust Fund	106,751	111,353
Prepaid Expenses	181,321	259,683
TOTAL CURRENT ASSETS	<u>9,432,779</u>	<u>7,776,202</u>
PROPERTY AND EQUIPMENT (NET)	<u>8,223,304</u>	<u>8,204,096</u>
Other Noncurrent Assets		
Contributions Receivable (Net)	101,884	116,240
Website Development Costs (Net)	102,805	65,386
TOTAL OTHER NONCURRENT ASSETS	<u>204,689</u>	<u>181,626</u>
TOTAL ASSETS	<u>\$ 17,860,772</u>	<u>\$ 16,161,924</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts Payable	\$ 700,605	\$ 447,173
Deferred Revenue	356,818	308,597
Accrued Payroll Liabilities	901,295	840,674
Retirement Plan Contribution Payable	306,138	221,146
Mortgage Note Payable, Current	73,600	70,800
Charitable Gift Annuities Payable, Current	24,750	24,750
TOTAL CURRENT LIABILITIES	<u>2,363,206</u>	<u>1,913,140</u>
Noncurrent Liabilities		
Mortgage Note Payable, Long-Term	2,675,305	2,748,905
Paycheck Protection Program (PPP) Loan Payable	-	1,959,741
Charitable Gift Annuities Payable, Long-Term	151,876	169,127
Interest Rate Swap Agreement	47,391	77,032
TOTAL NONCURRENT LIABILITIES	<u>2,874,572</u>	<u>4,954,805</u>
TOTAL LIABILITIES	<u>5,237,778</u>	<u>6,867,945</u>
Net Assets		
Net Assets Without Donor Restrictions	12,210,401	8,750,107
Net Assets With Donor Restrictions	412,593	543,872
TOTAL NET ASSETS	<u>12,622,994</u>	<u>9,293,979</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 17,860,772</u>	<u>\$ 16,161,924</u>

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, 2021 (with summarized financial information for the year ended June 30, 2020)

	2021			2020
	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total	Total
Revenue and Support				
Medical Revenue (Net)	\$ 23,588,002	\$ -	\$ 23,588,002	\$ 16,842,022
Education Program Revenue	749,121	-	749,121	649,549
Contributions of Cash	1,717,473	457,263	2,174,736	2,734,753
Contributions of Financial Assets	615,214	1,607	616,821	30,473
Contributions of Nonfinancial Assets	63,557	19,260	82,817	130,872
Interest Income	28,475	-	28,475	24,831
Rental Income	18,492	-	18,492	19,195
County Stray Reimbursement	36,000	-	36,000	36,000
Miscellaneous Income	59,691	-	59,691	23,907
	<u>26,876,025</u>	<u>478,130</u>	<u>27,354,155</u>	<u>20,491,602</u>
Net Assets Released From Restrictions	609,409	(609,409)	-	-
Total Revenue and Support	<u>27,485,434</u>	<u>(131,279)</u>	<u>27,354,155</u>	<u>20,491,602</u>
Functional Expenses				
Program Services				
Clinic	21,299,547	-	21,299,547	15,607,946
Pet Loss Support	127,251	-	127,251	129,828
Animal Assisted Therapy	98,779	-	98,779	94,832
Blood Bank	134,083	-	134,083	138,508
Stray Animal and Wildlife	361,642	-	361,642	374,677
Financial Assistance	285,718	-	285,718	421,788
Education	699,584	-	699,584	592,780
Total Program Services	<u>23,006,604</u>	<u>-</u>	<u>23,006,604</u>	<u>17,360,359</u>
Supporting Services				
General and Administrative	2,146,809	-	2,146,809	1,726,164
Development	944,933	-	944,933	869,042
Total Supporting Services	<u>3,091,742</u>	<u>-</u>	<u>3,091,742</u>	<u>2,595,206</u>
Total Functional Expenses	<u>26,098,346</u>	<u>-</u>	<u>26,098,346</u>	<u>19,955,565</u>
Other Income and (Expenses)				
Net Loss on Disposal of Assets	(19,870)	-	(19,870)	(9,847)
Net Unrealized Gain (Loss) on Investments	115,617	-	115,617	(52,236)
Gain on Forgiveness of PPP Loan	1,977,459	-	1,977,459	-
Total Other Income and (Expenses)	<u>2,073,206</u>	<u>-</u>	<u>2,073,206</u>	<u>(62,083)</u>
Change in Net Assets	3,460,294	(131,279)	3,329,015	473,954
Net Assets - Beginning of Year	8,750,107	543,872	9,293,979	8,820,025
Net Assets - End of Year	<u>\$ 12,210,401</u>	<u>\$ 412,593</u>	<u>\$ 12,622,994</u>	<u>\$ 9,293,979</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, 2021 (with summarized financial information for the year ended June 30, 2020)

	Program Services							Supporting Services			2021 Total	2020 Total	
	Clinic	Pet Loss Support	Animal Assisted Therapy	Blood Bank	Stray Animal and Wildlife	Financial Assistance	Education	Total Program Services	General and Administrative	Development			Total Supporting Services
Salaries	\$ 12,183,676	\$ 82,369	\$ 61,000	\$ 41,923	\$ 265,448	\$ 209,706	\$ 255,264	\$ 13,099,386	\$ 1,350,708	\$ 489,150	\$ 1,839,858	\$ 14,939,244	\$ 11,192,344
Contracted Services	1,077,022	700	-	-	-	-	29,446	1,107,168	4,122	-	4,122	1,111,290	762,574
Payroll Taxes	879,053	7,321	5,108	3,634	17,528	13,847	19,122	945,613	105,326	37,109	142,435	1,088,048	838,996
Employee Benefits	1,513,569	17,625	18,148	15,872	31,806	25,127	33,508	1,655,655	196,776	58,988	255,764	1,911,419	1,548,305
Staff Recruitment	79,106	-	-	-	-	-	-	79,106	4,400	-	4,400	83,506	100,278
Medical Supplies	2,246,208	-	-	64,608	46,084	36,407	-	2,393,307	-	-	-	2,393,307	1,736,861
Facilities Rent	31,655	7,710	7,710	-	-	-	26,433	73,508	107,455	46,258	153,713	227,221	222,477
Repairs and Maintenance	464,655	-	-	-	-	-	-	464,655	540	-	540	465,195	355,437
Property Security	92,213	-	-	-	-	-	-	92,213	-	-	-	92,213	53,370
Supplies and Equipment	357,644	1,179	1,240	1,675	-	-	12,864	374,602	32,071	2,089	34,160	408,762	283,367
Outside Professional Services	194,097	334	554	334	-	-	57,559	252,878	176,455	40,167	216,622	469,500	413,637
Insurance	42,010	512	512	512	-	-	1,025	44,571	5,123	1,537	6,660	51,231	46,417
Administrative	76,510	-	1,844	3,303	145	-	47	81,849	110,461	8,725	119,186	201,035	127,333
Taxes and Licenses	132,851	-	-	-	-	-	-	132,851	659	-	659	133,510	129,257
Utilities	165,355	566	1,326	345	-	-	1,358	168,950	15,340	5,050	20,390	189,340	171,237
Marketing	322,882	4,867	25	422	50	50	134,594	462,890	5,204	53,436	58,640	521,530	517,323
Fundraising Event	-	-	-	-	-	-	-	-	-	170,777	170,777	170,777	146,807
Education Event	-	-	-	-	-	-	62,068	62,068	-	-	-	62,068	58,824
Printing and Postage	6,675	3,679	948	1,165	-	-	1,044	13,511	3,054	8,888	11,942	25,453	32,068
Dues and Subscriptions	14,535	99	74	-	-	-	18,412	33,120	3,382	1,903	5,285	38,405	21,256
Bank and Loan Fees	693,730	-	-	-	-	-	25,641	719,371	8,015	13,864	21,879	741,250	502,572
Bad Debts	197,010	-	-	-	-	-	-	197,010	-	5,250	5,250	202,260	167,038
Depreciation and Amortization	445,982	290	290	290	581	581	21,199	469,213	-	1,742	1,742	470,955	413,048
Interest	83,109	-	-	-	-	-	-	83,109	17,718	-	17,718	100,827	114,739
Total Expenses	\$ 21,299,547	\$ 127,251	\$ 98,779	\$ 134,083	\$ 361,642	\$ 285,718	\$ 699,584	\$ 23,006,604	\$ 2,146,809	\$ 944,933	\$ 3,091,742	\$ 26,098,346	\$ 19,955,565

DoveLewis Emergency Animal Hospital, Inc.

Consolidated Statements of Cash Flows

Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash Flows from Operating Activities		
Change in Net Assets	\$ 3,329,015	\$ 473,954
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and Amortization Expense	470,955	413,048
Provision for Bad Debts	234,827	192,323
Net Loss on Property and Equipment	21,578	14,017
Net Loss (Gain) on Short-Term Investments	(95,094)	10,698
Donated Equipment	-	(83,409)
Change in Fair Value of Charitable Gift Annuities Payable	7,499	8,171
Change in Fair Value of Interest Rate Swap Agreement	(29,641)	29,464
Contributions Restricted for Building and Equipment Funds	(138,059)	(963,382)
Gain on Forgiveness of PPP Loan Principal	(1,959,741)	-
(Increase) Decrease in Assets		
Accounts Receivable	(266,575)	(256,582)
Contributions Receivable	24,278	306,823
Inventories	(10,603)	(31,959)
Unemployment Trust Fund	4,602	(32,984)
Prepaid Expenses	78,362	(36,455)
Increase (Decrease) in Liabilities		
Accounts Payable	253,432	(149,748)
Deferred Revenue	48,221	20,713
Accrued Payroll Liabilities	60,621	266,517
Retirement Plan Contribution Payable	84,992	55,088
Net Cash Provided by OPERATING ACTIVITIES	<u>2,118,669</u>	<u>236,297</u>
Cash Flows from Investing Activities		
Proceeds from (Purchases of) Short-Term Investments	(2,921,684)	1,433,046
Purchases of Property and Equipment	(461,516)	(381,321)
Website Development Costs	(87,644)	(26,358)
Net Cash Provided (Used) by INVESTING ACTIVITIES	<u>(3,470,844)</u>	<u>1,025,367</u>
Cash Flows from Financing Activities		
Contributions Restricted for Building and Equipment Funds	138,059	963,382
Proceeds from PPP Loan	-	1,959,741
Payments on Mortgage Note Payable	(70,800)	(70,600)
Proceeds from Mortgage Note Payable	-	250,000
Payments on Charitable Gift Annuities Payable	(24,750)	(24,750)
Net Cash Provided by FINANCING ACTIVITIES	<u>42,509</u>	<u>3,077,773</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>(1,309,666)</u>	<u>4,339,437</u>
Cash and Cash Equivalents - Beginning of Year	6,607,153	2,267,716
Cash and Cash Equivalents - End of Year	<u>\$ 5,297,487</u>	<u>\$ 6,607,153</u>

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, 2021 and 2020

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 30,000 patients annually at its NW Portland, Oregon location.

DoveLewis' staff of 211 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 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 medicine and externships for veterinary students. In 2011, DoveLewis developed an online education program designed to further DoveLewis' teaching mission and provide affordable educational videos to veterinary communities all over the world. Net proceeds from this paid subscription site are reinvested into DoveLewis' hospital and community programs. In 2018, DoveLewis launched a partnership with the World Small Animal Veterinary Association Foundation to mentor veterinary hospitals in Africa. 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 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, 2021 and 2020 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, 2021 and 2020

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, 2020, from which the summarized information was derived.

d. Recently Adopted Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers*, which created FASB Accounting Standards Codification (ASC) Topic 606 (ASC 606). ASC 606 replaced most existing revenue recognition guidance in GAAP when it became effective and requires the Organization to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The guidance also requires additional disclosures to help users of the consolidated financial statements better understand the nature, amount, timing and uncertainty of revenue that is recognized. The Organization adopted ASC 606 effective July 1, 2020 using a modified retrospective method of application to contracts not completed as of July 1, 2020.

There was no material impact on the Organization's consolidated financial position and results of operations upon adoption of ASC 606.

In September 2020, the FASB issued ASU No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* (ASU 2020-07). The amendments in ASU 2020-07 improve financial reporting by providing new presentation and disclosure requirements about contributed nonfinancial assets, including additional disclosure requirements for recognized contributed services. The amendments do not change the recognition and measurement requirements. The Organization early adopted ASU 2020-07 effective July 1, 2020 on a retrospective basis.

There was no material impact on the Organization's consolidated financial position and results of operations upon adoption of ASU 2020-07.

DoveLewis Emergency Animal Hospital, Inc.

Notes to Consolidated Financial Statements

Years Ended June 30, 2021 and 2020

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

e. Basis of Accounting

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

Revenue is measured based on consideration specified in contracts with customers. The Organization recognizes revenue when it satisfies a performance obligation by transferring control over a product or service to a customer. Revenue from performance obligations satisfied at a single point in time includes medical services and special events. Revenue from performance obligations satisfied over a period of time is derived from the sale of online educational subscription services. Revenue from contributions is not within the scope of ASC 606.

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 as payment for all sources of revenue is due either at the point of sale or shortly thereafter.

f. 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.

g. 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.

DoveLewis Emergency Animal Hospital, Inc.

Notes to Consolidated Financial Statements

Years Ended June 30, 2021 and 2020

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

h. 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.

i. 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, 2021 and 2020 and indicates the fair value hierarchy of the valuation techniques utilized by the Organization to determine such fair value:

2021	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Short-Term Investments			
Commercial Paper	\$ 2,000,000	\$ -	\$ -
Mutual Funds	<u>1,259,331</u>	<u>-</u>	<u>-</u>
Total Short-Term Investments	\$ 3,259,331	\$ -	\$ -
Charitable Gift Annuities Payable	\$ -	\$ 176,626	\$ -
Interest Rate Swap Liability	\$ -	\$ 47,391	\$ -
2020	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Short-Term Investments: Mutual Funds	\$ 242,553	\$ -	\$ -
Charitable Gift Annuities Payable	\$ -	\$ 193,877	\$ -
Interest Rate Swap Liability	\$ -	\$ 77,032	\$ -

DoveLewis Emergency Animal Hospital, Inc.

Notes to Consolidated Financial Statements

Years Ended June 30, 2021 and 2020

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

i. 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).

j. 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.

k. 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.

l. 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, 2021 and 2020

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

m. 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 all 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

n. Contributions of Cash and Financial Assets

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

o. 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.

p. Contributions of Nonfinancial Assets

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

DoveLewis Emergency Animal Hospital, Inc.

Notes to Consolidated Financial Statements

Years Ended June 30, 2021 and 2020

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

q. Website Development

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

r. 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.

s. Expense Classification

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

t. Advertising

Advertising costs are expensed as incurred and are included in marketing expense in the consolidated statement of functional expenses. Advertising expense amounted to \$487,388 and \$466,541 for the years ended June 30, 2021 and 2020, respectively.

u. 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, 2021 and 2020, 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, 2021 and 2020

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

u. 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, 2021 and 2020.

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, 2021 and 2020 was \$659 and \$619, respectively.

v. Reclassifications

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

2. Liquidity and Availability of Financial Assets

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

	<u>2021</u>	<u>2020</u>
Financial Assets	\$ 8,837,567	\$ 7,108,629
Less cash reserved for:		
Mortgage Note Payable Covenant Requirement	(750,000)	(750,000)
Financial Assistance in Future Periods	(75,285)	(175,501)
Equipment Fund	(22,308)	(42,370)
Less contributions receivable restricted for:		
Equipment Fund	(25,000)	-
Building Fund	(64,846)	(89,397)
Financial Assets Available Within One Year	<u>\$ 7,900,128</u>	<u>\$ 6,051,361</u>

DoveLewis Emergency Animal Hospital, Inc.

Notes to Consolidated Financial Statements

Years Ended June 30, 2021 and 2020

3. Accounts Receivable

Accounts receivable consist of the following as of June 30:

	<u>2021</u>	<u>2020</u>
Medical Services	\$ 263,581	\$ 231,666
Other Receivables	<u>3,139</u>	<u>3,685</u>
	266,720	235,351
Less allowance for uncollectible accounts	<u>(77,317)</u>	<u>(82,946)</u>
Accounts Receivable (Net)	<u>\$ 189,403</u>	<u>\$ 152,405</u>

4. Contributions Receivable

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

	<u>2021</u>	<u>2020</u>
Building Fund	\$ 119,846	\$ 209,743
Equipment Fund	75,000	-
Other Restricted Funds	1,500	12,121
Unrestricted Contributions	<u>-</u>	<u>10,000</u>
	196,346	231,864
Less allowance for uncollectible accounts	-	(5,000)
Less discount to present value	<u>(3,116)</u>	<u>(4,106)</u>
Contributions Receivable (Net)	<u>\$ 193,230</u>	<u>\$ 222,758</u>
Amounts due in		
Less than one year	\$ 91,346	\$ 111,518
One to five years	<u>105,000</u>	<u>120,346</u>
Total Contributions Receivable	<u>\$ 196,346</u>	<u>\$ 231,864</u>

Contributions receivable due in more than one year are discounted at the rate of 2.00% and 2.07% as of June 30, 2021 and 2020, respectively.

DoveLewis Emergency Animal Hospital, Inc.

Notes to Consolidated Financial Statements

Years Ended June 30, 2021 and 2020

5. Property and Equipment

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

	<u>2021</u>	<u>2020</u>
Land	\$ 888,982	\$ 888,982
Building	5,472,253	5,472,253
Building Improvements	3,364,723	3,345,472
Office and Computer Equipment	393,532	418,321
Medical Equipment	1,663,691	1,535,546
Total Property and Equipment	11,783,181	11,660,574
Less accumulated depreciation	<u>(3,559,877)</u>	<u>(3,456,478)</u>
Property and Equipment (Net)	<u>\$ 8,223,304</u>	<u>\$ 8,204,096</u>

6. Website Development Costs

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

	<u>2021</u>	<u>2020</u>
Website Development Costs	\$ 467,037	\$ 379,394
Less accumulated amortization	<u>(364,232)</u>	<u>(314,008)</u>
Website Development Costs (Net)	<u>\$ 102,805</u>	<u>\$ 65,386</u>

Amortization expense amounted to \$50,224 and \$36,047 for the years ended June 30, 2021 and 2020, 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	\$ 49,004
2022	33,990
2023	<u>19,811</u>
Total Future Amortization Expense	<u>\$ 102,805</u>

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, 2021 and 2020, total assets held for charitable gift annuities of \$176,626 and \$193,877, 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, 2021 and 2020.

DoveLewis Emergency Animal Hospital, Inc.

Notes to Consolidated Financial Statements

Years Ended June 30, 2021 and 2020

8. Mortgage Note Payable

As of June 30, 2021 and 2020, 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, 2021 and 2020, LIBOR was .10% and .16%, respectively. Cash paid for interest during the years ended June 30, 2021 and 2020 was \$85,481 and \$112,367, respectively.

In September 2018, the Mortgage Note agreement was amended to become an interest-only construction line of credit, allowing for additional draws 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.

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, 2021 are as follows:

2022	\$	73,600
2023		76,800
2024		<u>2,598,505</u>
Total	\$	<u>2,748,905</u>

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, 2021:

<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

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, PPP loans were made available to small businesses as a direct incentive to keep their workers on the payroll throughout the crisis. In May 2020, the Organization obtained a PPP loan in the amount of \$1,959,741. The Organization elected to adopt the debt model to account for its PPP loan in accordance with the FASB ASC 470, *Debt*. Under the CARES Act, PPP loan recipients can apply for and be granted forgiveness of both the loan and accrued interest based on use of the loan proceeds for payment of eligible expenses during the 24-week coverage period. The Organization received forgiveness from the Small Business Administration in April 2021. Accordingly, the principal balance of the loan as well as the related accrued interest in the amount of \$17,718 is reported as gain on forgiveness of PPP loan in the accompanying consolidated statement of activities for the year ended June 30, 2021.

DoveLewis Emergency Animal Hospital, Inc.

Notes to Consolidated Financial Statements

Years Ended June 30, 2021 and 2020

11. Net Assets with Donor Restrictions

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

	<u>2021</u>	<u>2020</u>
Financial Assistance	\$ 390,285	\$ 491,502
Equipment and Building	22,308	42,370
Future Periods	-	10,000
Total Net Assets with Donor Restrictions	<u>\$ 412,593</u>	<u>\$ 543,872</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>2021</u>	<u>2020</u>
Gross Medical Revenue	\$ 24,811,058	\$ 18,090,808
Charitable Assistance	(645,951)	(794,824)
Discounts and Adjustments	(577,105)	(453,962)
Medical Revenue (Net)	<u>\$ 23,588,002</u>	<u>\$ 16,842,022</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.

14. Contributed Nonfinancial Assets

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

	<u>2021</u>	<u>2020</u>
Event Supplies	\$ 56,866	\$ 47,113
Administrative Supplies	-	6,980
Program Supplies	3,465	52,885
Facility Usage	2,244	3,244
Professional Services	20,242	20,650
Total Contributed Nonfinancial Assets	<u>\$ 82,817</u>	<u>\$ 130,872</u>

DoveLewis Emergency Animal Hospital, Inc.

Notes to Consolidated Financial Statements

Years Ended June 30, 2021 and 2020

14. Contributed Nonfinancial Assets (Continued)

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.

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>2021</u>	<u>2020</u>
Building Fund	\$ 20,313	\$ 805,444
Financial Assistance Fund	285,717	421,788
Equipment Fund	128,008	9,809
Stray Animal and Wildlife Fund	46,586	40,383
Animal Assisted Therapy	40,208	51,987
Pet Loss	28,352	46,763
Other Funds	30,581	41,273
Pledges Released from Time Restrictions	<u>29,644</u>	<u>83,582</u>
Total Net Assets Released from Restrictions	<u>\$ 609,409</u>	<u>\$ 1,501,029</u>

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, 2021 and 2020. All contributions are immediately vested. Plan expenses recognized by the Organization for the years ended June 30, 2021 and 2020 were \$293,477 and \$223,250 respectively.

DoveLewis Emergency Animal Hospital, Inc.

Notes to Consolidated Financial Statements

Years Ended June 30, 2021 and 2020

17. Operating Leases

The Organization leases property and equipment under various operating leases expiring through July 2024. Total expenses were \$16,438 and \$20,953 for the years ended June 30, 2021 and 2020, 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 \$209,748 and \$203,634 for the years ended June 30, 2021 and 2020, respectively.

As of June 30, 2021, 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,	
2022	\$ 69,798
2023	14,076
2024	11,730
Total Future Minimum Rental Payments	\$ 95,604

In August 2021, the Organization signed a new lease agreement for the existing office space beginning in October 2021 and ending in September 2023. Monthly rental payments under this lease agreement will be \$8,564.

18. Related Party Transactions

During the years ended June 30, 2021 and 2020, the Organization recognized \$46,680 and \$71,925, 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 \$4,691 and \$12,908 from members of the Board for the years ended June 30, 2021 and 2020, respectively.

19. Concentration Risk

The Organization maintains its operating cash, cash equivalents and short-term investments in three 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 72% and 68% of total medical supplies expense for the years ended June 30, 2021 and 2020, respectively.

Three donors represented approximately 84% and 75% of the total contributions receivable as of June 30, 2021 and 2020, respectively.

20. Subsequent Events

Management has evaluated, for potential recognition or disclosure in the consolidated financial statements, subsequent events that have occurred through October 7, 2021 which is the date that the consolidated financial statements were available to be issued.