DUMB FRIENDS LEAGUE

Consolidated Financial Statements
and
Independent Auditors' Report
June 30, 2018

DUMB FRIENDS LEAGUE

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Dumb Friends League
Denver, Colorado

We have audited the accompanying consolidated financial statements of Dumb Friends League (the "League"), which are comprised of the consolidated statement of financial position as of June 30, 2018, 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 Dumb Friends League as of June 30, 2018, 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 the League's 2017 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated October 3, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

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Denver, Colorado
October 4, 2018

DUMB FRIENDS LEAGUE

Consolidated Statement of Financial Position
June 30, 2018
(With Summarized Comparative Information as of June 30, 2017)

	2018	2017
Assets		
Cash and cash equivalents	$ 7,609,782	$ 8,175,978
Accounts receivable	15,787	14,669
Merchandise held for resale	26,481	30,410
Prepaid expenses and other assets	103,305	45,378
Operational promises to give	1,229,750	474,625
Capital campaign promises to give (Note 2)	2,414,109	675,302
Beneficial interest in charitable trusts (Note 4)	2,449,195	2,372,888
Investments (Notes 5 and 6)	78,226,845	54,254,099
Assets held under deferred compensation agreements (Note 13)	319,935	274,351
Property and equipment, net (Note 7)	26,393,863	18,979,238
Asset held for sale (Note 1)	1,000,000	-
Intangible assets (Note 8)	208,997	208,997
Total assets	$ 119,998,049	$ 85,505,935
Liabilities and Net Assets		
Accounts payable and accrued expenses	$ 1,194,228	$ 890,842
Accrued compensation and benefits	741,458	877,111
Deferred compensation (Note 13)	303,129	274,351
Note payable (Note 2)	-	158,463
Total liabilities	2,238,815	2,200,767
Commitments and contingencies (Notes 9, 11, 12 and 13)		
Net assets		
Unrestricted	88,035,691	76,077,435
Temporarily restricted (Note 10)	29,286,959	6,797,285
Permanently restricted (Note 10)	436,584	430,448
Total net assets	117,759,234	83,305,168
Total liabilities and net assets	$ 119,998,049	$ 85,505,935

See notes to consolidated financial statements.

DUMB FRIENDS LEAGUE

Consolidated Statement of Activities
For the Year Ended June 30, 2018
(With Summarized Comparative Information for the Year Ended June 30, 2017)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2018 Total	2017 Total
Public support and revenue					
Public support					
Contributions	$ 3,822,905	$ 2,307,262	$ -	$ 6,130,167	$ 8,257,993
Capital campaign contributions	-	30,450,386	-	30,450,386	6,989,507
Legacy and bequest contributions	5,994,808	-	-	5,994,808	4,495,096
Special events income	1,654,858	735,339	-	2,390,197	1,866,548
Less direct expenses	(279,758)	-	-	(279,758)	(276,494)
In-kind contributions	1,266,067	-	-	1,266,067	367,552
Total public support	12,458,880	33,492,987	-	45,951,867	21,700,202
Revenue					
Shelter fees	2,291,480	-	-	2,291,480	2,249,939
Change in value of charitable trusts	-	70,171	6,136	76,307	173,830
Other income	262,876	-	-	262,876	123,961
Total revenue	2,554,356	70,171	6,136	2,630,663	2,547,730
Net assets released from restrictions	11,066,444	(11,066,444)	-	-	-
Total public support and revenue	26,079,680	22,496,714	6,136	48,582,530	24,247,932
Expenses					
Program services					
Shelter services	7,074,505	-	-	7,074,505	7,353,386
Veterinary services	3,530,607	-	-	3,530,607	3,546,836
Community and educational services	1,832,628	-	-	1,832,628	1,722,561
Harmony Equine Center	1,301,157	-	-	1,301,157	1,312,748
Investigative services	535,395	-	-	535,395	523,904
Total program services	14,274,292	-	-	14,274,292	14,459,435
Supporting services					
Management and general	1,331,640	-	-	1,331,640	1,291,879
Fundraising and development	2,462,466	-	-	2,462,466	2,583,808
Total supporting services	3,794,106	-	-	3,794,106	3,875,687
Total expenses	18,068,398	-	-	18,068,398	18,335,122
Change in net assets before investment return and loss on disposal of assets	8,011,282	22,496,714	6,136	30,514,132	5,912,810
Net investment return	4,619,787	(7,040)	-	4,612,747	6,730,254
Loss on disposal of assets	(672,813)	-	-	(672,813)	-
Change in net assets	11,958,256	22,489,674	6,136	34,454,066	12,643,064
Net assets at beginning of year	76,077,435	6,797,285	430,448	83,305,168	70,662,104
Net assets at end of year	$ 88,035,691	$ 29,286,959	$ 436,584	$ 117,759,234	$ 83,305,168

See notes to consolidated financial statements.

DUMB FRIENDS LEAGUE

Consolidated Statement of Functional Expenses
For the Year Ended June 30, 2018
(With Summarized Comparative Information for the Year Ended June 30, 2017)

	Program Services						Supporting Services			Total Expenses	
	Shelter Services	Veterinary Services	Community and Educational Services	Harmony Equine Center	Investigative Services	Total Program Services	Management and General	Fundraising and Development	Total Supporting Services	2018	2017
Salaries and related expenses	$ 4,730,191	$ 2,295,859	$ 1,337,404	$ 425,054	$ 399,542	$ 9,188,050	$ 721,923	$ 1,180,281	$ 1,902,204	$ 11,090,254	$ 10,970,622
Medical supplies and diagnostics	1,137	860,097	-	14,492	-	875,726	-	-	-	875,726	932,664
Animal care, food and supplies	353,159	15,405	-	156,659	275	525,498	-	-	-	525,498	561,748
Animal identification	39,925	88,671	-	-	-	128,596	-	257	257	128,853	116,171
Professional services	216,936	57,619	82,932	229,221	17,072	603,780	403,242	242,865	646,107	1,249,887	1,122,061
Facilities expenses	462,528	59,843	42,030	102,352	3,115	669,868	21,030	24,859	45,889	715,757	753,117
Printing and publications	11,802	10,997	40,715	1,676	2,500	67,690	39,888	362,815	402,703	470,393	566,079
Media and public awareness	296	-	111,098	53,348	4,670	169,412	-	121,877	121,877	291,289	291,237
IT and communications	128,184	34,241	76,503	20,425	14,780	274,133	38,609	76,030	114,639	388,772	363,137
Postage and shipping	8,499	4,396	25,558	344	760	39,557	16,739	162,837	179,576	219,133	262,695
Insurance	64,164	6,478	3,219	41,279	13,645	128,785	30,361	-	30,361	159,146	241,663
Pet supply store purchases	124,668	-	-	-	-	124,668	-	-	-	124,668	144,270
Vehicles and mileage	45,284	22,847	4,972	17,892	44,418	135,413	5,037	31,860	36,897	172,310	133,133
Supplies	54,944	4,960	9,324	9,818	2,034	81,080	10,519	7,507	18,026	99,106	144,096
Donor and volunteer costs	4,101	171	55,167	102	-	59,541	611	96,678	97,289	156,830	125,199
Contributions	227,800	-	4,500	-	-	232,300	-	-	-	232,300	229,175
Bank and merchant services fees	36,449	428	993	220	3	38,093	4,990	104,779	109,769	147,862	124,201
Miscellaneous	42,879	19,338	22,530	5,676	9,158	99,581	27,713	24,729	52,442	152,023	182,330
Investment fees	-	-	-	-	-	-	243,861	-	243,861	243,861	266,292
Direct special event costs	-	-	-	-	-	-	-	279,758	279,758	279,758	276,494
Total program expenses	6,552,946	3,481,350	1,816,945	1,078,558	511,972	13,441,771	1,564,523	2,717,132	4,281,655	17,723,426	17,806,384
Depreciation	521,559	49,257	15,683	222,599	23,423	832,521	10,978	25,092	36,070	868,591	1,071,524
Total expenses	7,074,505	3,530,607	1,832,628	1,301,157	535,395	14,274,292	1,575,501	2,742,224	4,317,725	18,592,017	18,877,908
Less expenses included with revenues on the consolidated statement of activities	-	-	-	-	-	-	(243,861)	(279,758)	(523,619)	(523,619)	(542,786)
Total expenses on the consolidated statement of activities	$ 7,074,505	$ 3,530,607	$ 1,832,628	$ 1,301,157	$ 535,395	$ 14,274,292	$ 1,331,640	$ 2,462,466	$ 3,794,106	$ 18,068,398	$ 18,335,122

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows
For the Year Ended June 30, 2018
(With Summarized Comparative Information for the Year Ended June 30, 2017)

	2018	2017
Cash flows from operating activities		
Change in net assets	$ 34,454,066	$ 12,643,064
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities		
Depreciation	868,591	1,071,524
Net realized and unrealized gains on investments	(4,104,881)	(6,317,968)
Change in value of beneficial interest in charitable trusts	(76,307)	(173,830)
Capital campaign contributions	(31,129,002)	(6,989,507)
Loss on disposal of property and equipment	672,813	-
Changes in assets and liabilities		
Accounts receivable	(1,118)	(2,953)
Merchandise held for resale	3,929	1,225
Prepaid expenses and other assets	(74,733)	27,550
Promises to give	(755,125)	(172,277)
Accounts payable and accrued expenses	(472,027)	(57,677)
Accrued compensation and benefits	(135,653)	92,089
	(35,203,513)	(12,521,824)
Net cash (used in) provided by operating activities	(749,447)	121,240
Cash flows from investing activities		
Purchases of investments	(34,882,329)	(9,316,840)
Proceeds from sale of investments	15,014,464	12,719,796
Purchases of property and equipment	(9,180,616)	(3,746,498)
Net cash used in investing activities	(29,048,481)	(343,542)
Cash flows from financing activities		
Proceeds from contributions restricted for capital campaign	29,390,195	6,314,205
Proceeds from note payable	(158,463)	158,463
Net cash provided by financing activities	29,231,732	6,472,668
Net (decrease) increase in cash and cash equivalents	(566,196)	6,250,366
Cash and cash equivalents at beginning of year	8,175,978	1,925,612
Cash and cash equivalents at end of year	$ 7,609,782	$ 8,175,978

Supplemental disclosure of non-cash activity:

As of June 30, 2018, accounts payable included $775,413 of property and equipment additions.

See notes to consolidated financial statements.

Note 1 - Organization and Summary of Significant Accounting Policies

Organization

The Denver Dumb Friends League, doing business as Dumb Friends League ("DFL"), a non-profit organization, is the largest community-based animal welfare organization in the Rocky Mountain region. The mission of DFL is: "Working with our compassionate community, we will end pet homelessness and animal suffering."

An open-admission pet animal shelter that turns no pet away, DFL received 20,919 pets at its two locations in Denver and Castle Rock, Colorado, including 4,503 pets through transfers in from other shelters, in fiscal year 2018. 18,271 of those were either adopted out, reunited with owners or transferred to placement partners. Its veterinary team performed more than 11,000 surgeries, including 8,086 spay/neuter surgeries for pets prior to adoption, 2,100 dental surgeries and 1,600 orthopedic, soft tissue and wound-repair surgeries. It also provided general health exams, vaccinations, microchip implants and treatment for a wide variety of medical conditions to the animals in the shelters. Additionally, its veterinary team and volunteers performed 17,007 donor-subsidized surgeries in its two mobile spay/neuter units and Solutions cat spay/neuter clinic, serving the general public in underserved communities. Its in-shelter behavior programs provided training using positive-reinforcement techniques to 6,559 pets, and it provided education to 18,235 children and adults through 739 humane education programs.

The Dumb Friends League Harmony Equine Center (the "Center"), which opened in 2012, is a rehabilitation and adoption facility for Colorado's abused and neglected equines that have been removed from their owners by law enforcement, as well as a training center for horses from rescue groups in the Midwest and Southwest that do not have the resources to train horses in preparation for adoption. In fiscal year 2018, the Center received in 336 equines, adopted out 145 equines and transferred out 159 equines to placement partners.

In January 2010, DFL formed The Colorado Humane Society & SPCA, Inc. ("CHS"), a separate non-profit corporation whose mission is to prevent cruelty and neglect of animals within the state of Colorado through collaboration with law enforcement agencies. CHS state-commissioned agents responded to 397 cases in fiscal year 2018, serving in 39 counties.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of DFL and CHS (collectively, the "League"). DFL is the sole member of CHS and has the ability to appoint all board members of CHS.

All significant intercompany balances and transactions have been eliminated in consolidation.

Basis of Accounting

The accompanying consolidated financial statements of the League have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables and other liabilities.

Note 1 - Organization and Summary of Significant Accounting Policies (continued)

Basis of Presentation

Information regarding the consolidated financial position and activities of the League is reported according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

> Unrestricted amounts are those currently available at the discretion of the Board of Directors for use in the League's operations and those resources invested in property and equipment.
>
> Temporarily restricted amounts are monies restricted by donors specifically for certain time periods, purposes or programs.
>
> Permanently restricted amounts are assets that must be maintained permanently by the League, as required by the donor, but the League is permitted to use or expend part or all of any income derived from those assets.

Use of Estimates

The preparation of consolidated financial statements in conformity with generally accepted accounting principles 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 and the reported amounts of revenue, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Contributions

Contributions received are recorded as unrestricted, temporarily or permanently restricted support depending on the existence or nature of any donor restrictions. Contributions are recognized when cash or ownership of donated assets is unconditionally promised to the League.

All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported on the consolidated statement of activities as net assets released from restrictions.

Pledges Receivable

Unconditional pledges receivable are recognized as revenue in the period the promise is received. Pledges receivable are recorded at net realizable value if expected to be collected in one year and at fair value if expected to be collected in more than one year. Conditional pledges receivable are recognized when the conditions on which they depend are substantially met.

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

Note 1 - Organization and Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents

For the purposes of the consolidated statement of cash flows, the League considers all unrestricted highly liquid investments with a maturity of three months or less when purchased to be cash equivalents, unless held for reinvestment as part of the investment portfolio.

Investments

Investments are initially recorded at cost, which is the purchase price of the investments or, in the case of assets contributed to the League, at their fair value at the date of contribution. After initial acquisition, the League reports investments at fair value. Fair value is determined, as described in more detail below, under the fair value measurements policy and in Note 6. The League's management is responsible for the fair value measurement of investments reported in the consolidated financial statements and believes that the reported values are reasonable. Unrealized gains and losses are included in the change in net assets on the consolidated statement of activities.

Investments in marketable equity and fixed-income securities with readily determinable market values are reported at fair value based upon quoted prices in active markets. The market values for alternative investments represent the League's pro rata interest in the net assets of each investment and are based on financial information determined and reported by investment managers or on the basis of other information evaluated periodically by the League.

Alternative investments are not publicly traded on national security exchanges, are generally illiquid and may be valued differently than if readily available markets existed for such investments. Because of inherent uncertainties of the valuation of alternative investments, the reported market values of such investments may differ significantly from realizable values.

Investment return consists of the League's distributive share of any interest, dividends and capital gains and losses generated from the League's investments as well as the change in fair value of the investments.

Distributive shares of income or loss from pass-through entities, such as investment partnerships, are recorded as income in the year such items are recognized by the entity and are reported as adjustments to the initial cost basis of the investment. Distributions of cash or other property received from pass-through entities are generally recorded as adjustments to the League's investment cost basis.

Gains and losses attributable to the League's investments are realized and reported upon a sale or disposition of the investment. The League uses an average cost basis for its investments in determining realized gains or losses.

Note 1 - Organization and Summary of Significant Accounting Policies (continued)

Fair Value Measurements

The League reports required types of financial instruments in accordance with fair value accounting standards. Fair value is the price that would be received to sell an asset or paid to transfer liability in an orderly transaction between market participants at the measurement date. These standards require an entity to maximize the use of observable inputs (such as quoted prices in active markets) and minimize the use of unobservable inputs (such as appraisals or other valuation techniques) to determine fair value. In addition, the League reports certain investments using the net asset value ("NAV") per share as determined by investment managers under the practical expedient. The practical expedient allows NAV per share to represent fair value for reporting purposes when the criteria for using this method are met.

Concentrations of Credit Risk

Financial instruments that potentially subject the League to concentrations of credit risk consist principally of cash and cash equivalents, investments, promises to give and beneficial interest in charitable trusts.

The League places its cash and money market accounts with creditworthy, high-quality financial institutions. At times, a portion of these cash balances is not insured by the FDIC or related entity.

The League has significant investments and, therefore, is subject to concentrations of credit risk. Investments are made by investment managers engaged by the League, and the investments are monitored for the League by an independent investment advisor. Although the market value of investments is subject to fluctuations on a year-to-year basis, management believes the investment policy is prudent for the long-term welfare of the League and its beneficiaries.

Credit risk with respect to promises to give is limited due to the number and creditworthiness of the individuals, corporations and foundations that comprise the contributor base.

Merchandise Held for Resale

Merchandise held for resale consists of pet supplies that are valued at the lower of cost or market with cost determined using the first-in, first-out method.

Accounts Receivable

Accounts receivable represent claims for reimbursement and other fees earned or due under contracts and fee agreements.

Note 1 - Organization and Summary of Significant Accounting Policies (continued)

Property and Equipment

Property and equipment are recorded at cost, if purchased, or fair value at the date of donation. The League capitalizes property and equipment with a cost or fair value at the date of donation of $5,000 or more. Depreciation is provided on the straight-line method based upon the estimated useful lives of the assets, which range from 3 to 40 years. Construction-in-process assets are capitalized but not depreciated until placed into service.

Asset Held for Sale

During the fiscal year ending June 30, 2018, the League received land valued at $1,000,000 that is currently held for sale.

Revenue Recognition

Revenue is recognized from services when the services are performed.

Advertising

The League uses advertising to promote its programs among the audiences it serves. Advertising is expensed as incurred. Advertising expense was $268,968 during the year ended June 30, 2018, $49,200 of which was received at no charge and is included in in-kind gifts.

Donated Goods and Services

Donated goods and services are recorded as contributions and corresponding assets or expenses at their estimated fair values at the date of donation. Donated goods and services received during the year ended June 30, 2018 are as follows:

Pet food	$ 143,806
Advertising	49,200
Veterinary services	14,828
Legal and other administrative services	7,400
Medical supplies	50,833
Property	1,000,000
Total donated goods and services	$ 1,266,067

Many individuals volunteer their time and perform a variety of tasks that assist the League in its programs and general operations. The League received 211,713 volunteer hours during the year ended June 30, 2018, but these were not recognized in the consolidated financial statements because they did not meet the criteria for recognition.

Note 1 - Organization and Summary of Significant Accounting Policies (continued)

Functional Allocation of Expenses

The costs of providing various programs and related supporting services have been summarized on a functional basis on the consolidated statement of activities. Accordingly, certain costs have been allocated to the appropriate programs and supporting services.

Income Taxes

DFL and CHS are exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and qualify for the charitable contribution deduction; however, income from activities not directly related to their tax-exempt purpose is subject to taxation as unrelated business taxable income. For the year ended June 30, 2018, DFL and CHS did not incur any significant taxes for unrelated business taxable income.

DFL and CHS follow the *Accounting for Uncertainty in Income Taxes* accounting standard, which requires each organization to determine whether a tax position (and the related tax benefit) is more likely than not to be sustained upon examination by the applicable taxing authority, based solely on the technical merits of the position. DFL and CHS believe that they have appropriate support for any tax positions taken and, as such, do not have any uncertain tax positions that are significant to the consolidated financial statements.

Prior-Year Information

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 conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the League's consolidated financial statements for fiscal year 2017, from which the summarized information was derived.

Note 1 - Organization and Summary of Significant Accounting Policies (continued)

Recently Issued Accounting Pronouncements

In August 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-14, *Not-For-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The amendment applies to not-for-profit entities. The amendment reduces the classes of net assets to *net assets with donor restrictions* and *net assets without donor restrictions*; removes the reconciliation of cash flows to the indirect method if using the direct method; requires the reporting of investment returns, net of expenses, with no disclosure of netted expenses required; requires the use, in the absence of explicit donor stipulations, of the placed-in-service approach for reporting expirations of restrictions on cash or other asset donations and requires disclosure of expenses by both their natural and functional classification on the face of the statement of activities, as a separate statement or in the notes to the financial statements. In addition, the amendment provides enhanced disclosures on amounts and purposes of board designations and appropriations, composition of net assets with donor restrictions, discussion of liquidity for the year following year-end, discussion of liquidity of financial assets at year-end, methodology used to allocate costs between program and support functions and underwater endowment funds. The amendment is effective for all fiscal years beginning after December 15, 2017. Entities should apply the amendment in this update retrospectively to all periods presented.

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which supersedes current revenue recognition requirements and industry-specific guidance. The codification was amended through additional ASUs and, as amended, requires an entity to recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration the entity expects to be entitled to in exchange for those goods and services. The guidance also requires expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. Additionally, qualitative and quantitative disclosures are required about customer contracts, significant judgments and changes in judgments, and assets recognized from the costs to obtain or fulfill a contract. ASU No. 2014-09 is effective for annual reporting in fiscal years that begin after December 15, 2018.

The League is currently evaluating the impact of the new standards on the consolidated financial statements.

Subsequent Events

The League has evaluated all subsequent events through the auditors' report date, which is the date the consolidated financial statements were available to be issued.

In September 2018, the League entered into a letter of intent with PetAid Colorado ("PetAid") whereas PetAid will dissolve and transfer its assets to the League. The transaction is estimated to close in October 2018. Based on the agreement, the League is expecting to receive contributed assets valued at approximately $3,000,000.

Note 2 - Capital Campaign

During the year ended June 30, 2017, the League announced plans to embark on a major renovation and construction project to transform the Quebec Street facility into a state-of-the-art shelter. The project will upgrade the oldest and most heavily used parts of the facility while expanding and enhancing other critical areas of the shelter. The renovation will improve the lives and care of homeless pets at the shelter and is strongly aligned with the League's mission of ending pet homelessness and animal suffering in the communities served by the League. The $40 million project is being funded through capital campaign contributions, with a $20 million matching gift from Leslie and John Malone and The Malone Family Foundation.

In June 2017, the League entered into a financing agreement with the Colorado Housing and Finance Authority and a bank to borrow tax-exempt bridge funding of up to $10 million while the campaign is being conducted. The agreement is a draw down note allowing the League to borrow amounts as needed until a date specified in the agreement. Payments on the principal drawn to date and interest thereon will be made annually beginning June 1, 2018, with all remaining unpaid principal and interest due on June 1, 2027. The note bears interest at a fixed rate of 2.892% and is collateralized by the land and building. The League had borrowed funds, as required for tax-exempt notes, totaling $158,463 to reimburse for a portion of previously paid project costs on the closing date of the note. During the year ended June 30, 2018, all amounts borrowed were repaid.

The $20 million matching gift was calculated on all campaign cash and pledges received and construction note proceeds available. As of June 30, 2018, the conditions of matching were met and the League recorded the matching gift.

During the year ended June 30, 2018, the League raised $30,450,386 of contributions and $678,616 of special events revenue for the capital campaign. Through June 30, 2018, the League has cumulatively raised $38,118,509 of capital campaign contributions through cash and pledge receivable gifts. As of June 30, 2018, a total of $2,414,109 of pledges receivable are outstanding related to the capital campaign.

The League has entered into a guaranteed maximum price construction agreement with a general contractor totaling $30,916,903, along with other agreements for architectural and construction services within the project budget. As of June 30, 2018, the League has capitalized $12,495,659 of amounts related to the renovation project.

Note 3 - Promises to Give

Unconditional promises to give consist of the following at June 30, 2018:

Due in less than one year	$ 1,228,391
Due in one to five years	1,892,691
Due after five years	800,000
	3,921,082
Less unamortized discount on promises to give	(252,223)
Less allowance for uncollectible promises to give	(25,000)
	$ 3,643,859
Capital campaign promises to give	$ 2,414,109
Operational promises to give	1,229,750
	$ 3,643,859

Unconditional promises to give (pledges receivable) are from various entities, including foundations, corporations and individuals. The discount factor utilized in the present value calculation is the tax-exempt bridge note rate as of June 30 of the fiscal year in which the commitment is made.

Note 4 - Beneficial Interest in Charitable Trusts

The League follows the provisions of the AICPA audit and accounting guide, *Not-For-Profit Organizations*, which requires the recording of all unconditional, irrevocable split-interest agreements under which the League is entitled to receive a benefit. Split-interest agreements are carried out through the formation of charitable trusts, the trustees of which may be either the League or third parties such as commercial banks.

The League was named as the beneficiary in assets held by a trust, whereby the assets of the trust are invested and managed by an outside trustee in accordance with a trust instrument established by the donor. All income earned by the trust will be distributed annually to the League for use in its operations. At the sole discretion of the trustee, distributions of principal may be made to the League as is deemed necessary or advisable by the trustee to assist the League in achieving its objectives. The beneficial interest in this trust, recorded as temporarily restricted net assets, was $2,012,611 at June 30, 2018.

Perpetual Trusts

The League receives net income from two perpetual trusts but will never receive the assets of the perpetual trusts. Distributions from these trusts are unrestricted. The beneficial interest in the perpetual trusts, recorded as permanently restricted net assets, was $436,584 at June 30, 2018.

Note 5 - Investments

The League's investment assets, which include publicly traded and private investments, are dedicated to providing the financial resources needed to meet the League's charitable objectives. The League's investments, with limited exceptions, are managed by independent professional investment management firms and are held in various investment structures, such as individually managed accounts, commingled mutual funds and trusts, foreign domiciled hedge funds and limited partnerships. Marketable and private alternative investments are exposed to various risks that may cause the reported value of the League's investment assets to fluctuate from period to period and result in a material change to the net assets of the League. Investments in equity securities fluctuate in value in response to many factors such as the activities and financial condition of individual companies, business and industry market conditions and the general economic environment. The value of fixed-income securities fluctuates in response to changing interest rates, creditworthiness of issuers and overall economic policies that impact market conditions.

Some investment managers retained by the League are permitted to use various investment strategies and techniques that are designed to achieve higher investment returns with lower volatility and low correlations to major market indices and other asset classes. Strategies and techniques, such as the use of leverage, futures and forward contracts, option agreements and other derivative instruments, create special risks and could increase the impact of adverse security price movements on the League's investment portfolio.

Investments are stated at fair value (Note 6) and consist of the following at June 30, 2018:

Large-cap equities	$ 17,816,228
Absolute return funds	8,432,592
Hedged equities	10,729,867
International equities	13,819,060
Fixed-income funds	5,328,348
Cash and cash equivalents	21,928,725
Balanced fund	172,025
Total investments	$ 78,226,845

Investment return for the year ended June 30, 2018 is summarized as follows:

Interest and dividend income	$ 751,727
Net realized and unrealized gains on investments	4,104,881
Less investment management fees	(243,861)
Net investment return	$ 4,612,747

Note 6 - Fair Value Measurements

The carrying amount reported on the consolidated statement of financial position for cash and cash equivalents, accounts receivable, accounts payable and accrued expenses approximates fair value because of the immediate or short-term maturities of these financial instruments.

Fair value measurement standards require the League to classify certain financial instruments into a three-level hierarchy, based on the priority of inputs to the valuation technique. Instruments measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1: Quoted prices are available in active markets for identical instruments as of the reporting date.

Level 2: Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies.

Level 3: Pricing inputs are unobservable for the instrument and include situations where there is little, if any, market activity for the instrument. The inputs into the determination of fair value require significant management judgment or estimation.

In some instances, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such instances, an instrument's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. These classifications (Levels 1, 2 and 3) are intended to reflect the observability of inputs used in the valuation of investments and are not necessarily an indication of risk or liquidity.

As required by accounting principles generally accepted in the United States of America, the League uses NAV per share or its equivalent ("practical expedient"), such as member units or an ownership interest in partners' capital, to estimate the fair value of an alternative investment and requires additional fair value disclosures of the League's alternative investments. Certain investments that are measured at fair value using the NAV practical expedient are not classified in the fair value hierarchy. The fair value amounts presented in the following table are intended to permit reconciliation of the fair value hierarchy to the amounts presented on the consolidated statement of financial position.

The following is a description of valuation methodologies used for assets measured at fair value:

Large-cap equities, international equities (other than investments in certain entities that calculate NAV per share), fixed-income funds and balanced funds: Valued at the closing price reported on the active market on which the individual securities are traded.

Absolute return funds, hedged equities and international equities: Value calculated using the NAV per share of the investments.

There were no changes in the League's valuation techniques during the year.

Note 6 - Fair Value Measurements (continued)

The following table summarizes the League's assets by the above fair value hierarchy levels as of June 30, 2018:

	Fair Value				
Description	Level 1	Level 2	Level 3	NAV	Total
Investments					
Large-cap equities	$ 17,816,228	$ -	$ -	$ -	$ 17,816,228
Absolute return funds	-	-	-	8,432,592	8,432,592
Hedged equities	-	-	-	10,729,867	10,729,867
International equities	3,827,933	-	-	9,991,127	13,819,060
Fixed-income funds	5,328,348	-	-	-	5,328,348
Balanced fund	172,025	-	-	-	172,025
Beneficial interest in charitable trusts	-	-	2,449,195	-	2,449,195
Total	$ 27,144,534	$ -	$ 2,449,195	$ 29,153,586	$ 58,747,315

Cash and cash equivalents in the amount of $21,928,725 as of June 30, 2018 are included in investments but are not subject to fair value reporting and, therefore, are not included in the above table.

The fair value of investments held in beneficial interest in charitable trusts include Levels 1 and 2; however, the League's pro rata share of the interests in the trusts are not quoted in active markets and, therefore, are classified under Level 3 in the fair value hierarchy. There were no changes in valuation methodology during the year ended June 30, 2018.

Level 3 Changes

The changes in the financial assets for which the League has used Level 3 inputs to determine fair value are as follows:

	Beneficial Interest in Charitable Trusts
Beginning balance	$ 2,372,888
Total gains (realized/unrealized)	76,307
Ending balance	$ 2,449,195

Note 6 - Fair Value Measurements (continued)

Investments in Certain Entities That Calculate Net Asset Value Per Share

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Hedged funds (a)	$ 10,729,867	None	Quarterly to annually	30 - 60 days
Absolute return funds (b)	$ 8,432,592	None	Monthly to annually	45 - 95 days
International equity (c)	$ 9,991,127	None	Monthly	5 - 30 days

The fair values of the investments in the following categories have been estimated using the NAV per share of the investments.

(a) This category includes investments in hedge funds that invest both long and short primarily in U.S. common stocks. Management of the hedge funds has the ability to shift investments from value to growth strategies, from small to large capitalization stakes, and from a net long position to a net short position. The investments dominate exposure in the U.S. market, but will also take advantage of investment opportunities in Europe, Asia and Emerging Markets. The fair values of the investments in this category have been estimated using the NAV per share of the investments. As of June 30, 2018, all of the investments in this category have passed their initial lock-up periods. The investment in one fund represents two different share classes, with different lock-up periods, making liquidity unavailable for a substantial portion of the investment.

(b) This category includes a multi-strategy absolute return investments focused on analyzing the probability-adjusted returns of individual securities and assets and capturing the alpha in mis-priced assets/securities across conventional and alternative financial strategies. Management initiates long and short position targeting solid absolute risk-adjusted returns. The fair values of the investments in this category have been estimated using the NAV per share of the investments. As of June 30, 2018, all of the investments in the category have passed their initial lock-up periods and can be redeemed with no restrictions. Some of the investments in this category include less liquid assets, which may be restricted from immediate redemption until the asset is realized.

(c) This category includes investments in funds that focus on long-only international equities. The underlying assets are liquid and the fund's managers provide details of those assets. As of June 30, 2018, all of the investments in the category have passed their initial lock-up periods and can be redeemed with no restrictions.

Note 7 - Property and Equipment

The League's property and equipment are comprised of the following as of June 30, 2018:

Land and improvements	$ 4,538,623
Buildings and improvements	14,134,956
Furniture and equipment	1,733,190
Information technology	729,789
Vehicles	1,245,878
Construction-in-process (Note 2)	12,495,659
	34,878,095
Less accumulated depreciation	(8,484,232)
Net property and equipment	$ 26,393,863

Note 8 - Intangible Assets

Intangible assets represent a trade name and other intellectual property from the acquisition of CHS in fiscal year 2010. Under generally accepted accounting principles, trade names and certain intellectual property are considered to have indefinite lives and are not amortized; however, they are subject to an annual impairment test. As of June 30, 2018, the League determined that there was no impairment of the trade name and other intellectual property acquired. The League cannot predict the occurrence of certain events or changes in circumstances that might adversely affect their carrying value.

Note 9 - Line-of-Credit

The League has a $2,500,000 line-of-credit with a bank to provide ready reserves for short-term operational needs. The line-of-credit is at the bank's prime rate less 0.5% (4.50% as of June 30, 2018) and expires February 2019. No amounts were drawn during fiscal year 2018 or were outstanding under this agreement at June 30, 2018.

Note 10 - Temporarily and Permanently Restricted Net Assets

Temporarily Restricted

At June 30, 2018, temporarily restricted net assets consist of $25,991,052 of cash and pledges restricted for the capital campaign (Note 2), $1,283,296 of unexpended cash restricted for future events and other purposes and programs and one beneficial interest in a charitable trust for $2,012,611.

Permanently Restricted

At June 30, 2018, permanently restricted net assets consist of two beneficial interests in perpetual trusts totaling $436,584.

Note 11 - Operating Leases

The League leases certain office equipment under non-cancelable operating leases that expire through June 2021. Future minimum lease payments required under these non-cancelable operating leases are as follows:

For the Year Ending June 30,		
2019	$	59,262
2020		6,156
2021		4,545
Total	$	69,963

Rent expense for those leases totaled $40,258 for the year ended June 30, 2018.

Note 12 - Retirement Plan

The League currently has a defined-contribution retirement plan (the "Plan"). The Plan is a safe harbor 401(k) plan open to employees of the League who have attained the age of 18 and who have completed 90 days of service. Employees may begin participating in the Plan on the first day of the quarter coinciding with or immediately following the date they satisfy the eligibility requirements. Under the Plan agreement, the League makes a matching contribution up to 100% of each participant's elective deferral, not to exceed 3% of the participant's compensation, plus 50% of each participant's elective deferral in excess of 3%, but not in excess of 5% of the participant's compensation. The League's contributions to this Plan totaled $211,894 for the year ended June 30, 2018.

Note 13 - Deferred Compensation

Effective December 15, 2005, the League adopted an eligible deferred compensation plan under IRS Code Section 457(b). This plan is available to certain eligible employees. The League may, in its sole discretion, contribute an amount on behalf of eligible employees up to the maximum amount permitted by law. No employee contributions are permitted. Participants are fully vested in all contributions made on their behalf. All benefits and related investments are solely the property of the League.

At June 30, 2018, the assets and related liabilities under the IRS Code Section 457(b) deferred compensation plan are recorded at their fair market values totaling $319,935.