
Denver Dumb Friends League

Financial Report
June 30, 2021

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Independent Auditor's Report

To the Board of Directors
Denver Dumb Friends League

We have audited the accompanying financial statements of Denver Dumb Friends League (the "League"), which comprise the statement of financial position as of June 30, 2021 and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the 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 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 financial statements referred to above present fairly, in all material respects, the financial position of Denver Dumb Friends League as of June 30, 2021 and the results of its changes in net assets, functional expenses, and 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 Denver Dumb Friends League's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 20, 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 financial statements from which it has been derived.

A handwritten signature in black ink that reads "Plante & Moran, PLLC".

October 19, 2021

Denver Dumb Friends League

Statement of Financial Position

June 30, 2021
(with summarized comparative information for 2020)

	<u>2021</u>	<u>2020</u>
Assets		
Cash and cash equivalents	\$ 3,704,046	\$ 10,953,927
Investments (Note 5)	75,786,385	64,276,914
Operational promises to give (Note 4)	1,220,381	1,442,031
Capital campaign promises to give (Note 4)	541,848	1,096,209
Beneficial interest in charitable trusts and net assets of a community foundation (Note 6)	5,276,957	2,699,486
Assets held under deferred compensation arrangements (Note 12)	315,748	306,751
Prepaid expenses and other assets	815,411	675,514
Property and equipment - Net (Note 8)	56,909,309	51,369,027
Total assets	<u>\$ 144,570,085</u>	<u>\$ 132,819,859</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued liabilities	\$ 928,015	\$ 1,962,922
Accrued compensation and amounts withheld	1,208,561	1,121,363
Deferred compensation (Note 12)	315,748	306,751
Debt (Note 9)	4,349,757	5,000,000
Total liabilities	6,802,081	8,391,036
Net Assets		
Without donor restrictions	131,694,823	116,374,402
With donor restrictions (Note 10)	6,073,181	8,054,421
Total net assets	137,768,004	124,428,823
Total liabilities and net assets	<u>\$ 144,570,085</u>	<u>\$ 132,819,859</u>

Denver Dumb Friends League

Statement of Activities and Changes in Net Assets

Year Ended June 30, 2021
(with summarized comparative information for 2020)

	2021		2020	
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Revenue, Gains, and Other Support				
Contributions	\$ 6,803,826	\$ 3,300,559	\$ 10,104,385	\$ 10,532,834
Legacy and bequest contributions	4,955,464	-	4,955,464	4,713,296
Capital campaign contributions	-	-	-	299,766
In-kind donations	501,955	-	501,955	757,524
Special event revenue - Net of direct expenses of \$78,646	884,170	-	884,170	1,382,465
Shelter and service fees	3,196,757	-	3,196,757	3,467,048
Change in value of charitable trusts and net assets of a community foundation	-	494,669	494,669	(21,131)
Other income	177,319	-	177,319	298,457
Net assets released from restrictions	5,836,144	(5,836,144)	-	-
Total revenue, gains, and other support	22,355,635	(2,040,916)	20,314,719	21,430,259
Expenses				
Program services:				
Shelter services	9,501,468	-	9,501,468	8,295,099
Shelter veterinary services	3,577,541	-	3,577,541	3,830,915
Community veterinary services	3,969,987	-	3,969,987	4,139,396
Community and educational services	1,401,792	-	1,401,792	1,677,990
Harmony Equine Center	1,154,635	-	1,154,635	1,321,285
Investigative services	407,599	-	407,599	507,025
Total program services	20,013,022	-	20,013,022	19,771,710
Support services:				
Management and general	1,696,463	-	1,696,463	1,650,406
Fundraising and development	2,906,660	-	2,906,660	2,948,038
Total support services	4,603,123	-	4,603,123	4,598,444
Total expenses	24,616,145	-	24,616,145	24,370,154
Decrease in Net Assets - Before nonoperating income	(2,260,510)	(2,040,916)	(4,301,426)	(2,939,895)
Nonoperating Income (Loss)				
Net investment return	17,583,581	59,676	17,643,257	202,887
Loss on disposal of assets	(2,650)	-	(2,650)	(125,473)
Total nonoperating income	17,580,931	59,676	17,640,607	77,414
Increase (Decrease) in Net Assets	15,320,421	(1,981,240)	13,339,181	(2,862,481)
Net Assets - Beginning of year	116,374,402	8,054,421	124,428,823	127,291,304
Net Assets - End of year	\$ 131,694,823	\$ 6,073,181	\$ 137,768,004	\$ 124,428,823

Statement of Functional Expenses

Year Ended June 30, 2021
(with summarized comparative information for 2020)

	Program Services						Support Services			Total Expenses		
	Shelter Services	Shelter Veterinary Services	Community Veterinary Services	Community and Educational Services	Harmony Equine Center	Investigative Services	Total Program Services	Management and General	Fundraising and Development	Total Support Services	2021	2020
Salaries and related expenses	\$ 5,667,584	\$ 2,570,070	\$ 2,559,971	\$ 1,098,400	\$ 440,713	\$ 306,280	\$ 12,643,018	\$ 1,107,627	\$ 1,684,011	\$ 2,791,638	\$ 15,434,656	\$ 14,786,114
Medical supplies and diagnostics	71,452	610,066	447,946	-	9,222	-	1,138,686	-	-	-	1,138,686	1,551,874
Professional services	328,901	182,529	136,007	129,813	109,727	37,797	924,774	370,755	131,648	502,403	1,427,177	1,339,167
Facilities expenses	788,289	21,606	148,230	7,281	79,955	1,187	1,046,548	19,230	10,671	29,901	1,076,449	1,141,145
Animal care, food, and supplies	611,562	13,879	7,047	-	163,366	384	796,238	-	-	-	796,238	767,991
IT and communications	206,079	58,531	117,068	52,423	15,862	16,320	466,283	58,446	203,822	262,268	728,551	529,081
Media and public awareness	25,210	1,239	291	32,774	27,418	-	86,932	277	134,592	134,869	221,801	504,316
Miscellaneous	30,288	12,667	289,285	8,056	1,020	10,030	351,346	13,022	34,136	47,158	398,504	466,731
Printing and publications	1,445	618	13,521	24,118	166	316	40,184	5,884	405,362	411,246	451,430	471,183
Vehicles and mileage	57,453	133	18,707	701	33,310	23,673	133,977	5,948	433	6,381	140,358	185,735
Insurance	87,006	-	21,806	8,294	23,585	9,082	149,773	54,986	2,204	57,190	206,963	184,501
Postage and shipping	4,849	5,701	6,206	7,081	89	85	24,011	4,063	118,825	122,888	146,899	161,070
Pet supply store purchases	14,390	-	-	-	-	-	14,390	-	30,316	30,316	44,706	108,956
Bank and merchant services fees	35,806	1	17,908	1,964	57	-	55,736	1,571	100,800	102,371	158,107	142,104
Donor and volunteer costs	669	62	-	1,771	75	-	2,577	5,961	6,762	12,723	15,300	118,623
Animal identification	12,973	30,518	13,037	-	-	-	56,528	-	-	-	56,528	103,780
Contributions	40,387	-	-	-	-	-	40,387	10,366	-	10,366	50,753	81,215
Supplies	54,616	69,921	6,032	3,271	7,041	2,445	143,326	12,483	4,311	16,794	160,120	69,432
Direct special event costs	-	-	-	-	-	-	-	-	78,646	78,646	78,646	130,431
Depreciation	1,462,509	-	166,925	25,845	243,029	-	1,898,308	25,844	38,767	64,611	1,962,919	1,657,136
Less expenses included with revenue on the statement of activities and changes in net assets	-	-	-	-	-	-	-	-	(78,646)	(78,646)	(78,646)	(130,431)
Total functional expenses	\$ 9,501,468	\$ 3,577,541	\$ 3,969,987	\$ 1,401,792	\$ 1,154,635	\$ 407,599	\$ 20,013,022	\$ 1,696,463	\$ 2,906,660	\$ 4,603,123	\$ 24,616,145	\$ 24,370,154

Statement of Cash Flows

**Year Ended June 30, 2021
(with summarized comparative information for 2020)**

	2021	2020
Cash Flows from Operating Activities		
Change in net assets	\$ 13,339,181	\$ (2,862,481)
Adjustments to reconcile change in net assets to net cash and cash equivalents from operating activities:		
Depreciation	1,962,919	1,657,136
Loss on disposal of assets	2,650	125,473
Contribution of investments	(127,176)	(1,967,844)
Contribution of interest in charitable trust	(2,082,802)	-
Net realized and unrealized (gains) losses on investments	(17,441,852)	260,708
Change in value of beneficial interest in charitable trusts and net assets of a community foundation	(494,669)	21,131
Capital campaign contributions	-	(299,766)
Changes in operating assets and liabilities that provided (used) cash and cash equivalents:		
Promises to give	221,650	(142,700)
Prepaid expenses and other assets	(139,897)	(24,154)
Accounts payable and accrued expenses	(1,034,907)	117,548
Accrued compensation and benefits	87,198	207,839
Net cash and cash equivalents used in operating activities	(5,707,705)	(2,907,110)
Cash Flows from Investing Activities		
Purchases of investments	(13,064,069)	(9,580,601)
Proceeds from sale of investments	19,123,626	19,720,953
Purchases of property and equipment	(7,505,851)	(8,449,681)
Proceeds from sale of contributed land	-	887,300
Net cash and cash equivalents (used in) provided by investing activities	(1,446,294)	2,577,971
Cash Flows from Financing Activities		
Proceeds from contributions and pledges receivable restricted for capital campaign	554,361	1,023,186
Payments on debt	(650,243)	-
Proceeds from debt	-	5,000,000
Net cash and cash equivalents (used in) provided by financing activities	(95,882)	6,023,186
Net (Decrease) Increase in Cash and Cash Equivalents	(7,249,881)	5,694,047
Cash and Cash Equivalents - Beginning of year	10,953,927	5,259,880
Cash and Cash Equivalents - End of year	\$ 3,704,046	\$ 10,953,927

June 30, 2021

Note 1 - Nature of Business

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

The League's programs include the following:

Companion Animal Shelter Services

Denver Dumb Friends League is the largest animal welfare organization in Colorado that provides compassionate care through comprehensive, direct services for pets and horses in Colorado that are vulnerable to homelessness, suffering, and abuse.

Denver Dumb Friends League is a socially conscious shelter. Socially conscious sheltering is a compassionate, transparent, and thoughtful model of how shelters can best support vulnerable animals by providing respectful treatment and placement of every healthy and safe animal. As a socially conscious shelter, the League works with its community, city, and state policymakers and other shelters to create the best outcomes for animals, while nurturing the human-animal bond and ensuring that no animal is turned away because they are too old, sick, or broken. As a socially conscious shelter, the League assesses the behavior and medical needs of each animal; treats these needs, when possible; alleviates suffering; makes appropriate euthanasia decisions; and places all healthy and safe animals.

During fiscal year 2021, Denver Dumb Friends League's incredible impact included the following:

- Welcoming 18,585 pets at our three open-admission shelters: the Leslie A. Malone Center in Denver, Colorado; the Buddy Center in Castle Rock, Colorado; and the San Luis Valley Animal Center in Alamosa, Colorado
- Making 16,311 placements through adoption, reuniting pets with their owners or through transfer to partners
- Increasing the confidence of 5,834 pets through our in-shelter behavior program
- Enabling 3,090 pets to receive foster care in the homes of 451 volunteers
- Reuniting 2,098 lost pets with their owners
- Accepting and finding homes for 2,051 pets from other shelters and rescue groups
- Placing 356 unsocialized cats through our working cat program
- Providing 299 free behavior helpline consultations to the public
- Providing over 100 different brochures and online resources to pet owners and shelters throughout the country
- Supporting the community with over 120,000 calls answered through the Kathi Brock Communications Center

The League's advocacy team works with policymakers, animal welfare agencies, law enforcement, and the community to support policies that make Colorado a leader in promoting animal welfare. In fiscal year 2021, our work helped to ensure that animals in Colorado shelters and rescues would have their medical and behavioral needs addressed; that breed-specific legislation was repealed in Denver, Lone Tree, and Aurora, Colorado; and that support of other policies for the care and respect of animals in the community is being considered regularly.

Note 1 - Nature of Business (Continued)

Shelter Veterinary Services

The League provides all needed medical care to the animals in our shelters. Before being ready for adoption, our skilled team examines, evaluates, vaccinates, spays/neuters unaltered cats and dogs, implants microchips, and performs many other life-saving surgeries. Also, the League offers free treatment to animals for up to two weeks postadoption and partners with veterinarians in the Denver area through a Connect to Care program, which ensures pets receive the vital ongoing veterinary care they need to be happy and healthy.

During fiscal year 2021, the Dumb Friends League shelter veterinary team:

- Performed 9,618 surgeries for shelter animals, including 7,265 spay/neuter surgeries; 1,103 dental surgeries; and 1,250 orthopedic, soft tissue, and wound-repair surgeries
- Provided treatment for a wide variety of medical conditions, such as upper respiratory infections, heartworm disease, and parvovirus
- Gave a total of 189,082 medications to animals in the shelter, an average of 518 per day
- Employed 33 veterinary staff to provide this care to our shelter animals

Community Veterinary Services

The Dumb Friends League Veterinary Hospital at Yuma exists to prevent and alleviate suffering in pets whose caretakers would otherwise be unable to provide this care. Out of respect for our clients and out of concern of creating barriers when documentation is challenging, we serve our clients on an honor system. If owners can otherwise afford to provide care for their pet, they are directed to obtain that care from one of the excellent veterinarians in our community.

The Dumb Friends League Veterinary Hospital at Yuma is a full-service animal hospital in central Denver. We provide comprehensive medical and surgical care for pets owned by people in need, and no pet owner is turned away due to an inability to pay. All fees are highly subsidized by donor support.

During fiscal year 2021, the Dumb Friends League Veterinary Hospital at Yuma:

- Performed 1,015 surgeries, including 109 orthopedic procedures
- Completed 4,661 sick/injured animal examinations
- Provided 972 wellness examinations
- Employed 38 veterinary staff to provide this care

As part of our ongoing efforts to reduce the number of cats on our streets and in shelters, the Dumb Friends League Cat Spay/Neuter Clinic offers fully subsidized spay/neuter surgeries and core vaccinations for Colorado cats, including owned cats, feral cats, and community cats.

Additionally, on our mobile spay/neuter clinics, we reach out to pet owners in underserved areas by providing high-quality, subsidized spay/neuter surgeries to their cats and dogs.

During fiscal year 2021, the Dumb Friends League Cat Spay/Neuter Clinic and mobile units performed 7,887 surgeries.

The League continued its outreach services through a unique mobile pet resource center that tours Denver neighborhoods and community centers providing education, animal care, and wellness services. In fiscal year 2021, the Pet Resource Center provided vaccinations to 3,556 pets.

June 30, 2021

Note 1 - Nature of Business (Continued)

Community and Educational Services

Humane education and community engagement play an essential role in ending pet homelessness and animal suffering. Events and programs are offered at our shelters and throughout Denver metropolitan communities on various animal welfare topics, and volunteer opportunities are available with all our shelters and clinics.

During fiscal year 2021, Denver Dumb Friends League:

- Offered educational programs both at shelters and through online formats on various animal welfare topics. The League shared knowledge with 9,900 children and adults through 240 in-person programs, 480 virtual live lessons, and through recorded virtual lessons that were viewed over 2,500 times.
- Benefited from an average of 1,283 volunteers for the year who donated 180,562 hours of service, equivalent to 87 employees or \$4.2 million

Equine Sheltering Services

The Dumb Friends League Harmony Equine Center (the "Center" or Harmony) is a rehabilitation and adoption facility for abused and neglected horses, ponies, donkeys, and mules that have been removed from their owners by law enforcement authorities. As capacity allows, Harmony accepts owned Colorado horses in need of rehoming from people who can no longer care for them. Since Harmony opened in 2012, more than 2,000 horses have been helped.

When formerly abused and neglected horses and other equines arrive at the Center, they are given immediate medical care to make them comfortable. Once they have been permanently surrendered to the Center, they are evaluated, rehabilitated, trained, and adopted, as appropriate.

During fiscal year 2021, the Dumb Friends League Harmony Equine Center:

- Received 212 equines, including 110 that were brought to the center by law enforcement
- Found homes for 94 equines
- Transferred out 18 equines to placement partners
- Successfully placed or comfortably housed all healthy and safe equines

Animal Protection

The Colorado Humane Society, a program of Denver Dumb Friends League, prevents and investigates animal neglect and mistreatment and promotes animal welfare statewide, assists law enforcement, and educates owners to help them bring the care of their animals into compliance with the law.

During fiscal year 2021, the Colorado Humane Society:

- Provided services in 55 counties with our state-commissioned Bureau of Animal Protection agents
- Responded to 599 cases of neglect and mistreatment involving 2,042 animals

Note 2 - Significant Accounting Policies

Adoption of New Accounting Pronouncement

As of July 1, 2020, the League adopted Financial Accounting Standards Board Accounting Standards Update (ASU) No. 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement*, which removed requirements to disclose (1) the valuation processes for Level 3 fair value measurements and (2) the changes in unrealized gains and losses for the period for recurring Level 3 fair value measurements and modifies the disclosure requirements for a rollforward for Level 3 fair value measurements to instead require only disclosure of transfers into and out of Level 3 of the fair value hierarchy and purchases and issues of Level 3 assets and liabilities, among other changes not currently relevant to the League.

Basis of Accounting

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

Classification of Net Assets

Net assets of the League are classified based on the presence or absence of donor-imposed restrictions.

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions or for which the donor-imposed restrictions have expired or been fulfilled. Net assets in this category may be expended for any purpose in performing the primary objectives of the League.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the League or by the passage of time. Other donor restrictions are perpetual in nature, where the donor has stipulated the funds be maintained in perpetuity.

Use of Estimates

The preparation of 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 financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Contributions

Unconditional promises to give cash and other assets to the League are reported at fair value on the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value on the date the gift becomes unconditional or is received. The gifts are reported as contributions with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities and changes in net assets as net assets released from restrictions.

Contributions receivable 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 risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. An allowance for uncollectible contributions is provided when evidence indicates amounts promised by donors may not be collectible.

Note 2 - Significant Accounting Policies (Continued)

Cash Equivalents

For the purpose of the accompanying financial statements, the League considers all highly liquid investments with original maturities 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 7. The League's management is responsible for the fair value measurement of investments reported in the financial statements and believes that the reported values are reasonable. Unrealized gains and losses are included in the change in net assets on the statement of activities and changes in net assets.

Concentrations of Credit Risk

Financial instruments that potentially subject the League to concentrations of credit risk principally consist 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, reviewed annually, 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.

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-progress assets are capitalized but not depreciated until placed into service.

Revenue Recognition

Revenue from contracts with customers is composed of the following shelter and service fees:

Adoption Fees

The League prepares animals for adoption through the behavior program and provides health exams, vaccinations, spay and neuter services for unaltered cats and dogs, and microchips. For the year ended June 30, 2021, total adoption revenue was approximately \$1.1 million and is a primary source of income. Adoption fees are recognized at the point in time the customer pays for the animal and the animal is transferred to the customer.

Note 2 - Significant Accounting Policies (Continued)

Service Fees

The League provides services for clients, which include spay and neuter clinics, euthanasia, cremation, and return-to-owner services. For the year ended June 30, 2021, total service fee revenue was approximately \$1,900,000 and is recognized at a point in time, as payment is due at the time services are rendered.

Government Contracts

The League has contracts with Douglas County and Alamosa County, Colorado to provide services for stray, abandoned, or impounded animals and a contract with the City and County of Denver, Colorado for mobile spay and neuter services. For the year ended June 30, 2021, total government contract revenue was approximately \$138,000 and is recognized at the point in time when services are rendered.

Gift Shop

Revenue from the sale of merchandise is recognized at the point in time when a sale is made to a customer and totaled approximately \$30,000 during the year ended June 30, 2021.

Other Information

Accounts receivable related to contracts with customers as of June 30, 2021 and June 30, 2020 were \$422,443 and \$342,643, respectively, and are classified within other assets.

Advertising Expense

The League uses advertising to promote its programs among the audiences it serves. Advertising expense is charged to income during the year in which it is incurred. Advertising expense was \$189,265 during the year ended June 30, 2021, none of which was received at no charge.

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, 2021 totaled \$501,955.

Many individuals volunteer their time and perform a variety of tasks that assist the League in its programs and general operations. The League received 180,562 volunteer hours during the year ended June 30, 2021, but these were not recognized in the financial statements because they did not meet the criteria for recognition.

Functional Allocation of Expenses

Costs of providing the program and support services have been reported on a functional basis in the statement of activities and changes in net assets. Expenses that can be identified with a specific program or support service are allocated directly according to their natural expenditure classification. Costs have been allocated between the various program and support services on several bases and estimates. Certain salaries and related benefits have been allocated based on time and effort. Facilities costs have been allocated based on square footage. Although the methods of allocation used are considered appropriate, other methods could be used that would produce different amounts.

Income Taxes

The League is exempt from tax under the provisions of Internal Revenue Code Section 501(c)(3).

June 30, 2021

Note 2 - Significant Accounting Policies (Continued)

Prior-year Information

The 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 financial statements for fiscal year 2020, from which the summarized information was derived.

Subsequent Events

The financial statements and related disclosures include evaluation of events up through and including October 19, 2021, which is the date the financial statements were available to be issued.

Note 3 - Liquidity and Availability of Resources

The League regularly monitors the availability of resources required to meet its operating needs and other contractual commitments, while also working to maximize the investment of its reserves. For the purpose of analyzing resources available to meet general expenditures over a 12-month period, the League considers all expenditures related to its ongoing shelter and veterinary service, community education, and investigation programs to be general expenditures. Resources available for its construction project are not considered general expenditures.

At June 30, 2021, the League's financial resources were as follows:

Financial assets at year end:	
Cash and cash equivalents	\$ 3,704,046
Accounts and interest receivable (included in prepaids and other assets)	422,443
Operational promises to give due in one year	177,000
Investments	<u>75,786,385</u>
Total financial assets	80,089,874
Less amounts not available to be used within one year:	
Investments not available within one year	(7,826,732)
Assets restricted by donors	<u>(3,083,834)</u>
Financial assets available to meet general expenditures within one year	<u>\$ 69,179,308</u>

The League's invested resources are reserves available to cover general expenditures over the next 12 months, if needed. The League budgets conservatively and operates with a deficit budget each year, estimating revenue based on known and achievable sources and historical and expected costs necessary to provide its programs or typical and customary costs necessary to provide new programs to the communities it serves in Colorado. Deficits have historically been covered by donations and estate gifts supporting general expenditures.

Note 4 - Promises to Give

Promises to give consist of the following at June 30, 2021:

Due in less than one year	\$ 589,794
Due in one to five years	1,139,554
Due after five years	200,000
Less unamortized discount on promises to give	(142,119)
Less allowance for uncollectible promises to give	<u>(25,000)</u>
Total	<u>\$ 1,762,229</u>

June 30, 2021

Note 4 - Promises to Give (Continued)

Capital campaign promises to give	\$ 541,848
Operational promises to give	<u>1,220,381</u>
Total	<u><u>\$ 1,762,229</u></u>

Promises to give are from various entities, including foundations, corporations, and individuals. The discount factor utilized in the present value calculation is the borrowing rate available to the League as of June 30 of the fiscal year in which the commitment is made.

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 and consist of the following as of June 30, 2021:

Large-cap equities	\$ 22,261,501
Small-cap equities	3,988,028
Hedged equities	14,591,612
Absolute return	11,193,079
International equities	9,845,037
Emerging markets	8,006,981
Fixed income	5,537,693
Balanced fund	242,782
Cash and cash equivalents	<u>119,672</u>
Total	<u><u>\$ 75,786,385</u></u>

Investment return for the year ended June 30, 2021 is summarized as follows:

Interest and dividend income	\$ 518,382
Net realized and unrealized losses on investments	17,441,852
Less investment management fees	<u>(316,977)</u>
Net investment return	<u><u>\$ 17,643,257</u></u>

June 30, 2021

Note 6 - Beneficial Interest in Charitable Trusts and Net Assets of Community Foundation

Beneficial Interest in Charitable Trusts

The League follows the provisions of the American Institute of Certified Public Accountants 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, where 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 net assets with donor restrictions, was \$2,447,498 at June 30, 2021.

The League receives net income from three perpetual trusts but will never receive the assets of the perpetual trusts. During the year ended June 30, 2021, the League received a contribution of a perpetual trust valued at approximately \$2,082,000. Distributions from these perpetual trusts are unrestricted. The beneficial interest in the perpetual trusts, recorded as net assets with donor restrictions, was \$2,652,918 at June 30, 2021.

Interest in the Net Assets of a Community Foundation

The League has an endowment fund held at Community First Foundation, which is valued at fair value and is recorded as net assets with donor restrictions. The balance of the endowment fund was \$176,541 at June 30, 2021.

Note 7 - Fair Value Measurements

Accounting standards require certain assets and liabilities be reported at fair value in the financial statements and provide a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritizes the inputs and valuation techniques used to measure fair value.

Fair values determined by Level 1 inputs use quoted prices in active markets for identical assets that the League has the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets in active markets and other inputs, such as interest rates and yield curves, that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset. These Level 3 fair value measurements are based primarily on management's own estimates using pricing models, discounted cash flow methodologies, or similar techniques taking into account the characteristics of the asset.

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.

June 30, 2021

Note 7 - Fair Value Measurements (Continued)

As required by accounting principles generally accepted in the United States of America (GAAP), the League uses net asset value (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 GAAP 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 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, small-cap equities, emerging markets, and international equities: Value calculated using NAV per share of the investments.

The following tables present information about the League's assets measured at fair value on a recurring basis at June 30, 2021 and the valuation techniques used by the League to determine those fair values:

<u>Assets Measured at Fair Value on a Recurring Basis at June 30, 2021</u>				
	<u>Quoted Prices in</u>			
	<u>Active Markets</u>	<u>Significant Other</u>	<u>Significant</u>	
	<u>for Identical</u>	<u>Observable</u>	<u>Unobservable</u>	
	<u>Assets</u>	<u>Inputs</u>	<u>Inputs</u>	<u>Balance at</u>
	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>	<u>June 30, 2021</u>
Assets				
Large-cap equities	\$ 22,261,501	\$ -	\$ -	\$ 22,261,501
Fixed-income funds	5,537,693	-	-	5,537,693
International equities	5,392,092	-	-	5,392,092
Balanced fund	242,782	-	-	242,782
Beneficial interest in charitable trusts and net assets of community foundation	-	-	5,276,957	5,276,957
Total	\$ 33,434,068	\$ -	\$ 5,276,957	38,711,025
Investments measured at NAV:				
Small-cap equities				3,988,028
Hedged equities				14,591,612
International equities				9,741,772
Emerging markets				2,718,154
Absolute return funds				11,193,079
Total investments measured at NAV				42,232,645
Total assets				\$ 80,943,670

Cash and cash equivalents in the amount of \$119,672 as of June 30, 2021 are included in investments but are not subject to fair value reporting and, therefore, are not included in the above table.

The fair values of investments held in beneficial interest in charitable trusts and net assets of community foundation include Levels 1 and 2; however, the League's pro rata share of the interests in the trusts is not quoted in active markets and, therefore, is classified under Level 3 in the fair value hierarchy.

June 30, 2021

Note 7 - Fair Value Measurements (Continued)

Investments in Entities that Calculate Net Asset Value per Share

The League holds shares or interests in investments at year end where the fair value of the investment held is estimated based on net asset value per share (or its equivalent) of the investment company.

At year end, the fair value, unfunded commitments, and redemption rules of those investments are as follows:

	Investments Held at June 30, 2021			
	Fair Value	Unfunded Commitments	Redemption Frequency, if Eligible	Redemption Notice Period
Hedged equity funds (a)	\$ 14,591,612	\$ -	Monthly to annually	30-60 days
Absolute return funds (b)	11,193,079	940,000	Monthly to annually	60-95 days
International equity (c)	9,741,772	-	Daily to monthly	10-30 days
Emerging markets (d)	2,718,154	-	Weekly	5 days
Small-cap equity (e)	3,988,028	-	Monthly	30 days
Total	<u>\$ 42,232,645</u>	<u>\$ 940,000</u>		

(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 stocks, and from a net long position to a net short position. The fair values of the investments in this class have been estimated using net asset value per share of the investments. The investments dominate exposure in the U.S. market but will also take advantage of investment opportunities in Europe, Asia, and emerging markets. One investment totaling approximately \$2,727,000 can be redeemed annually on the investment anniversary date with 60 days' notice with certain restrictions. One investment totaling approximately \$2,407,000 is subject to a continual rolling three-year lockup period that is available on the investment anniversary with 60 days' notice.

(b) This category includes multistrategy absolute return investments focused on analyzing the probability-adjusted returns of individual securities and assets and capturing the alpha in mispriced assets/securities across conventional and alternative financial strategies. Management initiates long and short positions, targeting solid absolute risk-adjusted returns. One investment totaling approximately \$1,160,000 is illiquid and is subject to the discretion of the fund manager.

(c) This category includes investments in funds that focus on long-only international equities. The underlying assets are liquid, and the funds' managers provide details of those assets.

(d) This category includes investments in funds that invest in emerging market companies. The funds will typically invest in equity securities or equity-linked instruments of companies located in emerging markets that have superior long-term earnings growth potential.

(e) This category includes investments in funds that seek to generate long-term, lower volatility returns in excess of the U.S. equity market by investing in companies that are thought to be well-positioned in attractively structured, stable industries and are less vulnerable to business disruptions. The portfolio invests primarily in common stocks and depository receipts, REITs, convertible bonds, preferred stock, rights, warrants, exchange-traded funds, and similar equity equivalents, as well as debt securities, cash, and cash equivalents.

June 30, 2021

Note 8 - Property and Equipment

The League's property and equipment are composed of the following as of June 30, 2021:

Land	\$ 4,750,508
Buildings	54,559,644
Transportation equipment	1,472,809
Furniture and fixtures	3,237,414
Computer equipment and software	804,554
Construction in progress	<u>3,996,009</u>
Total cost	68,820,938
Accumulated depreciation	<u>11,911,629</u>
Net property and equipment	<u><u>\$ 56,909,309</u></u>

Note 9 - Debt

During June 2020, the League borrowed \$5 million on a \$10 million financing agreement with the Colorado Housing and Finance Authority and a bank. Payments on the principal drawn to date and interest thereon is to be made annually beginning on June 1, 2021, with all remaining unpaid principal and interest due on June 1, 2027. The note bears interest at a fixed rate of 2.892 percent and is collateralized by the Leslie A. Malone Center land and building.

The debt matures as follows for the years ending June 30:

2022	\$ 673,601
2023	693,082
2024	713,126
2025	733,750
2026	754,970
Thereafter	<u>781,228</u>
Total	<u><u>\$ 4,349,757</u></u>

Note 10 - Net Assets

Net assets with donor restrictions as of June 30, 2021 are available for the following purposes:

Subject to expenditures for a specified purpose:	
San Luis Valley	\$ 175,000
Lulu mobile	202,963
Veterinary services	170,000
Hope Fund	242,782
Other	<u>5,479</u>
Total subject to expenditures for a specified purpose	796,224
Beneficial interest in charitable trusts and net assets of community foundation	<u>5,276,957</u>
Total	<u><u>\$ 6,073,181</u></u>

June 30, 2021

Note 11 - Retirement Plans

The League sponsors a 401(k) plan for substantially all employees. 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 percent of each participant's elective deferral, not to exceed 3 percent of the participant's compensation, plus 50 percent of each participant's elective deferral in excess of 3 percent but not in excess of 5 percent of the participant's compensation.

Contributions to the plan totaled approximately \$339,000 for the year ended June 30, 2021.

Note 12 - 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, at 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, 2021, the assets and related liabilities under the IRS Code Section 457(b) deferred compensation plan are recorded at their fair market values.