Denver Dumb Friends League

Financial Report

June 30, 2023

Contents

plante moran

Plante & Moran, PLLC
Suite 600
8181 E. Tufts Avenue
Denver, CO 80237
Tel: 303.740.9400
Fax: 303.740.9009
plantemoran.com

Independent Auditor's Report

To the Board of Directors
Denver Dumb Friends League

Opinion

We have audited the financial statements of Denver Dumb Friends League (the "League"), which comprise the statement of financial position as of June 30, 2023 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the League as of June 30, 2023 and the changes in its 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the League and to meet our ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As described in Note 3 to the financial statements, the Company adopted the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*, as of July 1, 2022. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the League's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

To the Board of Directors
Denver Dumb Friends League

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the League's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the League's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited the League's 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 20, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Plante & Moran, PLLC

October 19, 2023

Statement of Financial Position

June 30, 2023
(with summarized comparative information for 2022)

	2023	2022
Assets		
Cash and cash equivalents	$ 1,675,548	$ 1,954,618
Investments (Note 6)	62,640,001	63,339,770
Operational promises to give (Note 5)	995,277	1,409,113
Capital campaign promises to give (Note 5)	-	130,989
Beneficial interest in charitable trusts and net assets of a community foundation (Note 7)	4,786,922	4,525,440
Assets held under deferred compensation arrangements (Note 13)	334,784	325,033
Prepaid expenses and other assets	996,594	957,562
Assets held for sale	3,299,091	-
Right-of-use operating lease assets (Note 14)	2,079,101	-
Property and equipment - Net (Note 9)	51,257,262	56,230,317
Total assets	**$ 128,064,580**	**$ 128,872,842**
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued liabilities	$ 743,257	$ 638,494
Accrued compensation and amounts withheld	1,143,110	1,568,631
Deferred compensation (Note 13)	259,739	287,510
Lease liabilities - Operating (Note 14)	2,079,214	-
Debt (Note 10)	2,990,624	3,685,136
Total liabilities	7,215,944	6,179,771
Net Assets		
Without donor restrictions	115,099,804	117,568,222
With donor restrictions (Note 11)	5,748,832	5,124,849
Total net assets	120,848,636	122,693,071
Total liabilities and net assets	**$ 128,064,580**	**$ 128,872,842**

See notes to financial statements.

Statement of Activities and Changes in Net Assets

Year Ended June 30, 2023

(with summarized comparative information for 2022)

	2023			2022
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Revenue, Gains, and Other Support				
Contributions	$ 6,351,545	$ 2,568,102	$ 8,919,647	$ 10,748,636
In-kind donations	599,552	-	599,552	888,606
Legacy and bequest contributions	8,621,317	-	8,621,317	8,373,869
Special event revenue - Net of direct expenses of $424,048	526,502	249,961	776,463	1,137,117
Shelter and service fees	5,061,840	-	5,061,840	4,298,220
Change in value of charitable trusts and net assets of a community foundation	-	261,482	261,482	(751,517)
Other income	392,869	-	392,869	454,934
Net assets released from restrictions	2,491,602	(2,491,602)	-	-
Total revenue, gains, and other support	24,045,227	587,943	24,633,170	25,149,865
Expenses				
Program services:				
Shelter services	13,290,118	-	13,290,118	11,289,042
Shelter veterinary services	4,727,874	-	4,727,874	4,706,567
Community veterinary services	5,394,363	-	5,394,363	5,645,318
Community and educational services	1,631,905	-	1,631,905	1,535,793
Harmony Equine Center	1,740,728	-	1,740,728	1,292,971
Investigative services	616,654	-	616,654	600,643
Total program services	27,401,642	-	27,401,642	25,070,334
Support services:				
Management and general	2,309,176	-	2,309,176	2,100,538
Fundraising and development	3,016,129	-	3,016,129	3,189,870
Total support services	5,325,305	-	5,325,305	5,290,408
Total expenses	32,726,947	-	32,726,947	30,360,742
(Decrease) Increase in Net Assets - Before nonoperating income	(8,681,720)	587,943	(8,093,777)	(5,210,877)
Nonoperating Income (Loss)				
Net investment return	6,186,033	36,040	6,222,073	(9,878,904)
Gain on disposal of assets	27,269	-	27,269	14,848
Total nonoperating income (loss)	6,213,302	36,040	6,249,342	(9,864,056)
(Decrease) Increase in Net Assets	(2,468,418)	623,983	(1,844,435)	(15,074,933)
Net Assets - Beginning of year	117,568,222	5,124,849	122,693,071	137,768,004
Net Assets - End of year	**$ 115,099,804**	**$ 5,748,832**	**$ 120,848,636**	**$ 122,693,071**

See notes to financial statements.

Statement of Functional Expenses

Year Ended June 30, 2023
(with summarized comparative information for 2022)

	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	2023	2022
Salaries and related expenses	$ 7,939,489	$ 3,589,642	$ 3,795,919	$ 1,281,130	$ 783,409	$ 480,671	$ 17,870,260	$ 1,635,475	$ 1,693,753	$ 3,329,228	$ 21,199,488	$ 18,667,409
Medical supplies and diagnostics	47,048	626,061	464,706	-	72,238	-	1,210,053	-	-	-	1,210,053	1,624,106
Professional services	290,049	283,660	164,275	91,590	123,432	22,236	975,242	301,715	179,176	480,891	1,456,133	1,754,442
Facilities expenses	1,505,758	3,262	100,370	6,700	156,188	8,110	1,780,388	12,035	8,198	20,233	1,800,621	1,394,823
Animal care, food, and supplies	866,757	20,966	16,695	-	311,274	183	1,215,875	-	-	-	1,215,875	1,076,800
IT and communications	277,606	63,691	142,208	98,047	30,126	25,820	637,498	74,459	169,182	243,641	881,139	1,108,458
Media and public awareness	7,539	109	2,563	58,081	437	-	68,729	354	184,339	184,693	253,422	228,597
Miscellaneous	67,681	34,669	440,317	14,681	2,386	12,443	572,177	30,116	43,716	73,832	646,009	589,996
Printing and publications	6,047	533	4,153	28,233	75	270	39,311	23,767	411,133	434,900	474,211	420,363
Vehicles and mileage	82,941	468	24,119	887	38,415	53,962	200,792	5,261	57	5,318	206,110	184,105
Insurance	111,608	-	22,564	9,166	19,986	10,701	174,025	56,333	7,681	64,014	238,039	235,231
Postage and shipping	16,285	5,202	11,152	7,154	1,138	20	40,951	8,404	100,676	109,080	150,031	188,378
Pet supply store purchases	62,636	-	-	-	-	-	62,636	-	-	-	62,636	42,639
Bank and merchant services fees	44,088	732	28,209	-	2,395	-	75,424	105,351	106,113	211,464	286,888	277,063
Donor and volunteer costs	23,333	-	4,374	4,243	178	-	32,128	-	72,841	72,841	104,969	67,477
Animal identification	28,018	52,634	18,040	-	780	-	99,472	-	-	-	99,472	92,071
Contributions	8,276	-	-	-	-	-	8,276	20,000	-	20,000	28,276	32,145
Supplies	28,634	46,245	15,079	4,926	4,935	2,238	102,057	8,839	6,183	15,022	117,079	70,747
Direct special event costs	-	-	-	-	-	-	-	-	424,048	424,048	424,048	174,207
Depreciation	1,876,325	-	139,620	27,067	193,336	-	2,236,348	27,067	33,081	60,148	2,296,496	2,305,892
Less expenses included with revenue on the statement of activities and changes in net assets	-	-	-	-	-	-	-	-	(424,048)	(424,048)	(424,048)	(174,207)
Total functional expenses	**$ 13,290,118**	**$ 4,727,874**	**$ 5,394,363**	**$ 1,631,905**	**$ 1,740,728**	**$ 616,654**	**$ 27,401,642**	**$ 2,309,176**	**$ 3,016,129**	**$ 5,325,305**	**$ 32,726,947**	**$ 30,360,742**

See notes to financial statements.

Statement of Cash Flows

Year Ended June 30, 2023
(with summarized comparative information for 2022)

	2023	2022
Cash Flows from Operating Activities		
Change in net assets	$ (1,844,435)	$ (15,074,933)
Adjustments to reconcile change in net assets to net cash and cash equivalents from operating activities:		
Depreciation	2,296,496	2,305,892
Gain on disposal of assets	(27,269)	(14,848)
Deferred compensation expense	(37,522)	(37,523)
Contribution of investments	(67,829)	(3,544,084)
Net realized and unrealized (gains) losses on investments	(6,294,000)	10,410,761
Change in value of beneficial interest in charitable trusts and net assets of a community foundation	(261,482)	751,517
Amortization of right-of-use operating lease asset	217,493	-
Changes in operating assets and liabilities that provided (used) cash and cash equivalents:		
Promises to give	413,836	(188,732)
Prepaid expenses and other assets	(39,032)	(142,151)
Accounts payable and accrued expenses	104,763	(289,521)
Accrued compensation and benefits	(425,521)	360,070
Lease liability	(217,380)	-
Net cash and cash equivalents used in operating activities	(6,181,882)	(5,463,552)
Cash Flows from Investing Activities		
Purchases of investments	(3,728,433)	(4,298,619)
Proceeds from sale of investments	10,790,031	9,878,557
Purchases of property and equipment	(707,282)	(1,628,362)
Proceeds from disposal of property and equipment	112,019	16,310
Net cash and cash equivalents provided by investing activities	6,466,335	3,967,886
Cash Flows from Financing Activities		
Proceeds from contributions and pledges receivable restricted for capital campaign	130,989	410,859
Payments on debt	(694,512)	(664,621)
Net cash and cash equivalents used in financing activities	(563,523)	(253,762)
Net Decrease in Cash and Cash Equivalents	(279,070)	(1,749,428)
Cash and Cash Equivalents - Beginning of year	1,954,618	3,704,046
Cash and Cash Equivalents - End of year	**$ 1,675,548**	**$ 1,954,618**

See notes to financial statements.

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

The League provides compassionate care through comprehensive, direct services for pets and horses in Colorado that are vulnerable to homelessness, suffering, and abuse.

The 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 2023, the League’s incredible impact included the following:

- Welcoming 21,098 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 18,154 placements through adoption, reuniting pets with their owners, or transfer to partners
- Increasing the confidence of 5,161 pets through our in-shelter behavior program
- Enabling 3,461 pets to receive foster care in the homes of 521 foster home volunteers
- Reuniting 2,633 lost pets with their owners
- Accepting and finding homes for 1,434 pets from other Colorado shelters
- Placing 447 unsocialized cats through our working cat program
- Providing 296 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 89,000 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 2023, our work helped to protect greyhounds worldwide by banning betting on greyhound racing simulcasts in Colorado; eased the financial burden on renters with pets by capping pet rent and pet deposits; and stiffened penalties for those who harm service dogs, K9 officers, and police horses. We continue to fight for increased access to veterinary care for every animal in Colorado and support other policies for the care and respect of animals in the community.

Note 1 - Nature of Business (Continued)

Shelter Veterinary Services

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

During fiscal year 2023, the Dumb Friends League shelter veterinary team:

- Performed 11,971 surgeries for shelter animals, including 9,923 spay/neuter surgeries; 1,202 dental surgeries; and 1,068 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 168,173 medications to animals in the shelter, an average of 461 per day
- Employed 50 veterinary staff members to provide this care to our shelter animals

Community Veterinary Services

In January 2022, the League opened the Dumb Friends League Veterinary Hospital at CSU Spur. This veterinary hospital provides urgent care services for ill or injured pets belonging to families who otherwise would not have access to veterinary care because of income, language, and other barriers. The hospital's fees are highly subsidized by donor support. If a family 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.

During fiscal year 2023, the Dumb Friends League Veterinary Hospitals:

- Performed 1,294 surgeries, including 134 orthopedic procedures
- Served 6,674 sick or injured pets
- Employed 40 veterinary staff to provide this care

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

During fiscal year 2023, the Dumb Friends League Cat Spay/Neuter Clinic performed 11,668 surgeries with vaccinations, including 11,155 cats and 513 dogs.

The League continued its outreach services by hosting Community Vaccination Clinics for pets in priority neighborhoods in Denver. In fiscal year 2023, 55 Community Vaccine Clinics were held, providing vaccinations for 5,191 owned cats and dogs.

In July 2022, the League took over the Denver Metro Cat program, which connects residents in the community with vital services for owned and feral cats, including spay and neuter. During fiscal year 2023, this program aided 2,119 cats in our priority neighborhoods.

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.

Note 1 - Nature of Business (Continued)

During fiscal year 2023, the League:

- Offered educational programs at shelters on various animal welfare topics. The League shared knowledge with 15,249 children and adults through 762 programs.
- Benefited from an average of 1,442 volunteers for the year who donated 209,205 hours of service, equivalent to 101 employees.

Equine Sheltering Services

The Dumb Friends League Harmony Equine Center (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 2,100 horses have been helped.

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

During fiscal year 2023, Harmony:

- Received 296 equines, which includes impound through law enforcement, transfers from partners, and owner surrenders
- Found homes for 103 equines
- Transferred out 36 equines to placement partners
- Successfully placed or comfortably housed all healthy and safe equines

Animal Protection

The Colorado Humane Society, a program of the 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 2023, the Colorado Humane Society:

- Provided services in 42 counties with our state-commissioned Bureau of Animal Protection agents
- Responded to 1,130 cases of neglect and mistreatment involving 2,300 animals

With the vital support of the community, Dumb Friends League is ending pet homelessness and animal suffering.

Note 2 - Significant Accounting Policies

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.

Note 2 - Significant Accounting Policies (Continued)

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.

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 8. 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.

Note 2 - Significant Accounting Policies (Continued)

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, 2023, total adoption revenue was approximately $2,120,000 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.

Service Fees

The League provides services for clients, which include veterinary hospital services, spay and neuter clinics, euthanasia, cremation, and return-to-owner services. For the year ended June 30, 2023, total service fee revenue was approximately $2,600,000 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 spay and neuter services. For the year ended June 30, 2023, total government contract revenue was approximately $147,000 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 $142,000 during the year ended June 30, 2023.

Other Information

Accounts receivable related to contracts with customers as of June 30, 2023 and 2022 were $827,078 and $575,544, respectively, and are classified within other assets.

Note 2 - Significant Accounting Policies (Continued)

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 $213,032 during the year ended June 30, 2023, none of which was received at no charge.

Donated Goods and Services

Contributed nonfinancial assets include donated professional services, donated veterinary supplies, donated pet food, and other in-kind contributions that are recorded at the respective fair values of the goods and services received.

Contributed services are recognized as in-kind revenue at their estimated fair value if they create or enhance nonfinancial assets or they require specialized skills that would need to be purchased if they were not donated. The League receives contributed veterinary services used in program services that are reported at current rates charged for such services. The League received donated veterinary services of $30,663 during June 30, 2023, which are included in in-kind donations on the statement of activities and changes in net assets. Many individuals volunteer their time and perform a variety of tasks that assist the League in its programs and general operations. The League received donations of 209,205 volunteer hours during the year ended June 30, 2023, but these were not recognized in the financial statements because they did not meet the criteria for recognition.

Contributed veterinary supplies and equipment and pet food are valued at the estimated fair value on the basis of estimates of wholesale values that would be received for selling similar products. The League received veterinary supplies and pet food of $32,411 and $536,478, respectively, during the year ended June 30, 2023. The League does not sell donated goods and only distributes goods for program use.

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.

Leases

The League has an operating lease for an animal health facility within the CSU Spur building. The League recognizes expense for operating leases on a straight-line basis over the lease term. The League made a policy election not to separate lease and nonlease components for operating leases. Therefore, all payments are included in the calculation of the right-of-use asset and lease liability.

The League elected to use the risk-free rate as the discount rate for calculating the right-of-use asset and lease liability in place of the incremental borrowing rate for operating leases.

Income Taxes

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

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 2022, from which the summarized information was derived.

Note 2 - Significant Accounting Policies (Continued)

Subsequent Events

The financial statements and related disclosures include evaluation of events up through and including October 19, 2023, which is the date the financial statements were available to be issued.

Note 3 - Adoption of New Accounting Pronouncement

As of July 1, 2022, the League adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-02, *Leases*. The ASU requires lessees to recognize a right-of-use asset and related lease liability for all leases, with a limited exception for short-term leases. Leases will be classified as either finance or operating, with the classification affecting the pattern of expense recognition in the statement of operations. The League elected to adopt the ASU using the modified retrospective method as of July 1, 2022 and applied the following practical expedients:

- The League did not reassess if expired or existing contracts are or contain a lease.
- The League did not reassess the lease classification for expired or existing leases.
- The League did not reassess initial direct costs for any existing leases.
- The League used hindsight to determine the lease term and to assess impairment of the right-of-use assets for existing leases.

As a result of the adoption of the ASU, the League recorded a right-of-use asset of $2,296,594 and a lease liability of $2,296,594 as of July 1, 2022 for existing operating leases. There was no impact on net assets as a result of adopting the new ASU.

Note 4 - 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.

At June 30, 2023, the League's financial resources were as follows:

Financial assets at year end:	
Cash and cash equivalents	$ 1,675,548
Accounts and interest receivable (included in prepaids and other assets)	620,433
Operational promises to give	995,277
Beneficial interest in charitable trusts and net assets of a community foundation	4,786,922
Assets held under deferred compensation arrangements	334,784
Investments	62,640,001
Total financial assets	71,052,965
Less amounts not available to be used within one year:	
Investments not available within one year	(8,195,471)
Promises to give to be collected after one year	(632,777)
Deferred compensation liability	(259,739)
Net assets restricted by donor	(5,748,832)
Financial assets available to meet general expenditures within one year	$ 56,216,146

Note 4 - Liquidity and Availability of Resources (Continued)

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 5 - Promises to Give

Promises to give consist of the following at June 30, 2023:

Due in less than one year	$ 362,500
Due in one to five years	724,000
Less unamortized discount on promises to give	(91,223)
Total	$ 995,277

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 6 - 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, 2023:

Large-cap equities	$ 17,899,997
International equities	14,040,839
Hedged equities	12,661,644
Absolute return	12,085,117
Small-cap equities	4,102,727
Fixed income	1,592,696
Balanced fund	223,170
Cash and cash equivalents	33,811
Total	$ 62,640,001

Note 6 - Investments (Continued)

Investment gain for the year ended June 30, 2023 is summarized as follows:

Interest and dividend income	$ 817,425
Net realized and unrealized gains on investments	5,653,923
Less investment management fees	(249,275)
Net investment gain	$ 6,222,073

Note 7 - 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 $2,263,732 at June 30, 2023.

The League receives net income from three perpetual trusts but will never receive the assets of the perpetual trusts. Distributions from these perpetual trusts are unrestricted. The beneficial interest in the perpetual trusts, recorded as net assets with donor restrictions, was $2,346,911 at June 30, 2023.

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 $176,279 at June 30, 2023.

Note 8 - 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.

Note 8 - Fair Value Measurements (Continued)

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 (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 table presents information about the League’s assets measured at fair value on a recurring basis at June 30, 2023 and the valuation techniques used by the League to determine those fair values:

	Assets Measured at Fair Value on a Recurring Basis at June 30, 2023			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at June 30, 2023
Large-cap equities	$ 17,899,997	$ -	$ -	$ 17,899,997
Fixed-income funds	1,592,696	-	-	1,592,696
International equities	5,509,232	-	-	5,509,232
Balanced fund	223,170	-	-	223,170
Beneficial interest in charitable trusts and net assets of community foundation	-	-	4,786,922	4,786,922
Total	$ 25,225,095	$ -	$ 4,786,922	30,012,017
Investments measured at NAV:				
Small-cap equities				4,102,727
Hedged equities				12,661,644
International equities				8,531,607
Absolute return funds				12,085,117
Total investments measured at NAV				37,381,095
Total assets				$ 67,393,112

Cash and cash equivalents in the amount of $33,811 as of June 30, 2023 are included in investments but are not subject to fair value reporting and, therefore, are not included in the above table.

Note 8 - Fair Value Measurements (Continued)

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.

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, 2023			
	Fair Value	Unfunded Commitments	Redemption Frequency, if Eligible	Redemption Notice Period
Hedged equity funds (a)	$ 12,661,644	$ -	Monthly to annually	30-60 days
Absolute return funds (b)	12,085,117	770,846	Monthly to annually	30-95 days
International equity (c)	8,531,607	-	Daily to monthly	10-30 days
Small-cap equity (d)	4,102,727	-	Monthly	30 days
Total	$ 37,381,095	$ 770,846		

(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 $2,474,000 can be redeemed annually on the investment anniversary date with 60 days' notice with certain restrictions. One investment totaling approximately $2,919,000 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 $2,780,000 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 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.

Note 9 - Property and Equipment

The League's property and equipment are composed of the following as of June 30, 2023:

Land	$ 4,704,896
Buildings	56,311,588
Transportation equipment	1,275,515
Furniture and fixtures	3,832,814
Computer equipment and software	929,058
Total cost	67,053,871
Accumulated depreciation	15,796,609
Net property and equipment	$ 51,257,262

The League consolidated its veterinary hospital operations at the new Dumb Friends League Hospital at CSU Spur on July 1, 2022. Subsequent to that consolidation, the hospital at Yuma was closed, and the building was placed on the market for sale in August 2022. The related assets are classified as held for sale on the balance sheet.

Note 10 - 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:

2024	$ 713,126
2025	733,750
2026	754,970
2027	788,778
Total	$ 2,990,624

Note 11 - Net Assets

Net assets with donor restrictions as of June 30, 2023 are available for the following purposes:

Subject to expenditures for a specified purpose:	
Denver Metro Cat	$ 579,747
Veterinary services	33,913
Hope Fund	223,170
Other	125,080
Total subject to expenditures for a specified purpose	961,910
Beneficial interest in charitable trusts and net assets of community foundation	4,786,922
Total	$ 5,748,832

Note 12 - 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 $466,000 for the year ended June 30, 2023.

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, 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, 2023, the assets and related liabilities under the IRS Code Section 457(b) deferred compensation plan are recorded at their fair market values.

Note 14 - Leases

The League is obligated under an operating lease for an animal health facility within the CSU Spur building for an initial term through May 2027. The lease includes two five-year renewal options that provide the League the option to renew the lease through 2037. The League determined that it is reasonably certain to exercise the first renewal option through May 2032. The right-of-use asset and related lease liability have been calculated using a discount rate of 2.94 percent. The lease requires the League to pay taxes, insurance, utilities, and maintenance costs. Total rent expense under this lease was $287,465 for 2023.

In connection with the operating lease, the League also entered into an operating agreement with the landlord to provide veterinary internship services to the landlord through the animal health facility in exchange for a 100 percent discount on base rent for the leased premises. The services provided to the landlord are valued at $90,000 per year and are considered to be commensurate in value with the base rent expense.

The League made a policy election not to separate lease and nonlease components for the operating lease. Therefore, the full amount of the lease payment is included in the recorded right-of-use asset and lease liability.

Note 14 - Leases (Continued)

Future minimum annual commitments under the operating lease are as follows:

Years Ending June 30	Amount
2024	$ 265,365
2025	265,365
2026	265,365
2027	265,365
2028	265,365
Thereafter	1,039,347
Total	2,366,172
Less amount representing interest	286,958
Long-term obligations under leases	$ 2,079,214

Expenses recognized under the lease for the year ended June 30, 2023 consist of the following:

Lease cost:	
Operating lease cost	$ 287,465
Short-term lease cost	12,497
Total lease cost	$ 299,962
Other information:	
Cash paid for amounts included in the measurement of lease liabilities - Operating cash flows from operating leases	$ 265,365
Weighted-average remaining lease term (years) - Operating leases	8.9
Weighted-average discount rate - Operating leases	2.9 %