



Financial Statements  
June 30, 2024

**Denver Dumb Friends League**  
(With Comparative Totals for 2023)

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Financial Statements

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## Independent Auditor's Report

To the Board of Directors  
Denver Dumb Friends League  
Denver, Colorado

### Report on the Audit of the Financial Statements

#### *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, 2024, and the related statements of activities, 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 referred to above present fairly, in all material respects, the financial position of the League as of June 30, 2024, and the changes in its net assets and its 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 other 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.

#### *Responsibilities of Management 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, 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 for one year after the date that the financial statements are 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.

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***

The 2023 financial statements of the League were audited by other auditors whose report dated October 19, 2023, contained an unmodified audit opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2023 is consistent, in all material respects with the exception of certain reclassifications made for comparability, with the audited financial statements from which it has been derived.



Denver, Colorado  
October 15, 2024

Denver Dumb Friends League  
Statement of Financial Position  
June 30, 2024  
(with comparative totals for 2023)

	2024	2023
<b>Assets</b>		
Cash and cash equivalents	\$ 2,044,580	\$ 1,675,548
Operating investments	60,548,863	62,974,785
Promises to give, net	532,761	995,277
Prepaid expenses and other assets	541,677	996,594
Operating lease right of use asset	1,872,102	2,079,101
Property and equipment, net	49,472,339	51,257,262
Beneficial interests in charitable trusts and net assets of a community foundation	5,236,579	4,786,922
Assets held for sale	-	3,299,091
Total assets	\$ 120,248,901	\$ 128,064,580
<b>Liabilities and Net Assets</b>		
Accounts payable and accrued liabilities	\$ 1,163,861	\$ 743,257
Accrued compensation and benefits	1,882,885	1,143,110
Deferred compensation liability	225,873	259,739
Operating lease liability	1,872,203	2,079,214
Debt	2,270,892	2,990,624
Total liabilities	7,415,714	7,215,944
<b>Net Assets</b>		
Without donor restrictions		
Undesignated	59,607,008	66,833,166
Invested in property and equipment, net of related debt	47,201,447	48,266,638
Total without donor restrictions	106,808,455	115,099,804
With donor restrictions	6,024,732	5,748,832
Total net assets	112,833,187	120,848,636
Total liabilities and net assets	\$ 120,248,901	\$ 128,064,580

## Denver Dumb Friends League

Statement of Activities

Year Ended June 30, 2024

(with comparative totals for 2023)

	2024			2023
	Without Donor Restrictions	With Donor Restrictions	Total	
<b>Revenue, Support and Gains</b>				
Contributions	\$ 5,882,962	\$ 894,942	\$ 6,777,904	\$ 8,919,647
In-kind contributions	833,115	-	833,115	599,552
Legacy and bequest contributions	4,340,925	609,225	4,950,150	8,621,317
Gross special events revenue	1,027,956	231,659	1,259,615	1,200,511
Less cost of direct benefits to donors	(483,418)	-	(483,418)	(424,048)
Net special events revenue	544,538	231,659	776,197	776,463
Shelter and service fees	6,166,952	-	6,166,952	5,061,840
Other income	133,624	-	133,624	227,602
Net assets released from restrictions	1,925,180	(1,925,180)	-	-
Total revenue, support, and gains	<u>19,827,296</u>	<u>(189,354)</u>	<u>19,637,942</u>	<u>24,206,421</u>
<b>Expenses</b>				
Program services expense				
Companion Animal Shelter services	13,652,397	-	13,652,397	13,290,118
Shelter veterinary services	5,549,155	-	5,549,155	4,727,874
Community veterinary services	5,914,870	-	5,914,870	5,394,363
Community and educational services	2,520,360	-	2,520,360	1,631,905
Equine Rehabilitation services	1,712,655	-	1,712,655	1,740,728
Investigative services	624,828	-	624,828	616,654
Total program services expenses	<u>29,974,265</u>	<u>-</u>	<u>29,974,265</u>	<u>27,401,642</u>
Supporting services expense				
Management and general	2,530,150	-	2,530,150	2,309,176
Fundraising and development	3,467,871	-	3,467,871	3,016,129
Total supporting services expenses	<u>5,998,021</u>	<u>-</u>	<u>5,998,021</u>	<u>5,325,305</u>
Total expenses	<u>35,972,286</u>	<u>-</u>	<u>35,972,286</u>	<u>32,726,947</u>
<b>Other Gains and Losses</b>				
Distributions from and change in value of charitable trusts and net assets of a community foundation	194,020	449,657	643,677	426,749
Net investment return	7,924,373	15,597	7,939,970	6,222,073
(Loss) gain on disposal of assets	(264,752)	-	(264,752)	27,269
Total other gains and losses	<u>7,853,641</u>	<u>465,254</u>	<u>8,318,895</u>	<u>6,676,091</u>
Change in Net Assets	(8,291,349)	275,900	(8,015,449)	(1,844,435)
Net Assets, Beginning of Year	<u>115,099,804</u>	<u>5,748,832</u>	<u>120,848,636</u>	<u>122,693,071</u>
Net Assets, End of Year	<u>\$ 106,808,455</u>	<u>\$ 6,024,732</u>	<u>\$ 112,833,187</u>	<u>\$ 120,848,636</u>

Denver Dumb Friends League  
Statement of Functional Expenses  
Year Ended June 30, 2024  
(with comparative totals for 2023)

	Program Services						Total	Management and General	Fundraising and Development	Cost of Direct Benefits to Donors	2024	2023
	Companion Animal Shelter Services	Shelter Veterinary Services	Community Veterinary Services	Community and Educational Services	Equine Rehabilitation Services	Investigative Services						
Salaries and related expenses	\$ 8,571,880	\$ 4,121,204	\$ 3,970,450	\$ 1,352,589	\$ 769,101	\$ 471,414	\$ 19,256,638	\$ 2,011,363	\$ 2,001,712	\$ -	\$ 23,269,713	\$ 21,199,488
Facilities expenses	1,286,340	575	363,055	6,856	202,575	5,745	1,865,146	14,713	8,232	-	1,888,091	1,800,621
Professional services	123,991	271,539	107,309	156,585	128,627	47,970	836,021	190,747	327,503	-	1,354,271	1,456,133
Animal care, food and supplies	997,450	55,011	15,867	-	248,481	221	1,317,030	-	-	-	1,317,030	1,215,875
Medical supplies and diagnostics	-	758,750	512,933	-	36,026	678	1,308,387	-	-	-	1,308,387	1,210,053
Contributions	28,046	-	-	788,453	-	-	816,499	-	-	-	816,499	28,276
IT and communications	302,175	51,280	127,046	64,418	21,221	24,488	590,628	61,081	139,959	-	791,668	881,139
Miscellaneous	36,201	50,400	515,863	15,905	4,013	9,961	632,343	47,153	35,099	-	714,595	646,009
Printing and publications	6,380	174	5,672	30,602	2,408	518	45,754	97	558,469	-	604,320	474,211
Direct special event costs	-	-	-	-	-	-	-	-	-	483,418	483,418	424,048
Bank and merchant services fees	43,546	688	64,932	-	2,593	-	111,759	87,105	94,098	-	292,962	286,888
Insurance	123,914	6,109	30,150	6,144	25,186	13,467	204,970	69,519	7,569	-	282,058	238,039
Supplies	22,162	191,647	11,094	4,557	6,422	1,560	237,442	10,565	3,299	-	251,306	117,079
Vehicles and mileage	105,378	714	34,392	1,008	53,355	48,779	243,626	5,627	39	-	249,292	206,110
Media and public awareness	1,310	67	1,037	50,318	902	-	53,634	250	105,068	-	158,952	253,422
Postage and shipping	14,568	4,275	9,509	8,120	1,232	27	37,731	1,812	91,089	-	130,632	150,031
Donor and volunteer costs	25,019	74	87	5,088	416	-	30,684	401	59,425	-	90,510	104,969
Animal identification	24,273	36,648	22,059	-	585	-	83,565	-	-	-	83,565	99,472
Pet supply store purchases	57,195	-	-	-	-	-	57,195	-	-	-	57,195	62,636
Depreciation	1,882,569	-	123,415	29,717	209,512	-	2,245,213	29,717	36,310	-	2,311,240	2,296,496
	13,652,397	5,549,155	5,914,870	2,520,360	1,712,655	624,828	29,974,265	2,530,150	3,467,871	483,418	36,455,704	33,150,995
Less expenses included with revenues on the statement of activities												
Cost of direct benefits to donors	-	-	-	-	-	-	-	-	-	(483,418)	(483,418)	(424,048)
Total expenses included in the expense section on the statement of activities	<u>\$ 13,652,397</u>	<u>\$ 5,549,155</u>	<u>\$ 5,914,870</u>	<u>\$ 2,520,360</u>	<u>\$ 1,712,655</u>	<u>\$ 624,828</u>	<u>\$ 29,974,265</u>	<u>\$ 2,530,150</u>	<u>\$ 3,467,871</u>	<u>\$ -</u>	<u>\$ 35,972,286</u>	<u>\$ 32,726,947</u>

Denver Dumb Friends League  
Statement of Cash Flows  
Year Ended June 30, 2024  
(with comparative totals for 2023)

	2024	2023
Operating Activities		
Change in net assets	\$ (8,015,449)	\$ (1,844,435)
Adjustments to reconcile change in net assets to net cash from (used for) operating activities		
Depreciation	2,311,240	2,296,496
Amortization of right of use operating lease asset	206,999	217,493
Amortization of discount on promises to give	(77,984)	27,836
Loss (gain) on disposal of assets	264,752	(27,269)
Contribution of investments	(110,335)	(67,829)
Realized and unrealized gain on operating investments	(7,535,175)	(6,294,000)
Change in value of beneficial interest in charitable trusts and net assets of a community foundation	(449,657)	(261,482)
Changes in operating assets and liabilities		
Promises to give, net	540,500	386,000
Prepaid expenses and other assets	454,917	(39,032)
Accounts payable and accrued expenses	420,604	104,763
Accrued compensation and benefits	739,775	(425,521)
Deferred compensation liability	(33,866)	(37,522)
Operating lease liability	(207,011)	(217,380)
Net Cash used for Operating Activities	(11,490,690)	(6,181,882)
Investing Activities		
Purchases of investments	(18,362,247)	(3,728,433)
Proceeds from sales of investments	28,433,679	10,790,031
Purchases of property and equipment	(559,677)	(707,282)
Proceeds from sales of property and equipment	3,067,699	112,019
Net Cash from Investing Activities	12,579,454	6,466,335
Financing Activities		
Proceeds from contributions and promises to give restricted for capital campaign	-	130,989
Principal payments on debt	(719,732)	(694,512)
Net Cash used for Financing Activities	(719,732)	(563,523)
Net Change in Cash and Cash Equivalents	369,032	(279,070)
Cash and Cash Equivalents, Beginning of Year	1,675,548	1,954,618
Cash and Cash Equivalents, End of Year	\$ 2,044,580	\$ 1,675,548
Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for Interest	\$ 79,539	\$ 97,566



**Note 1 - Principal Activity and Significant Accounting Policies****Nature of Business**

The Denver Dumb Friends League, dba the Dumb Friends League (the League), a nonprofit organization, is a national model in animal welfare, serving as a compassionate voice and advocating for community pets and the people who care about them. The League's mission is: "Working with our compassionate community, we will end pet homelessness and animal suffering."

The League provides care through comprehensive, high-quality, direct services for pets and horses in Colorado who have experienced or are vulnerable to experiencing homelessness, suffering, neglect, and abuse. These services – which include shelter services, veterinary care, behavioral support and enrichment, rehabilitation, foster care (including for families experiencing hardship), lost and found, adoption, and education and outreach – are provided at the following League locations: the Leslie A. Malone Center in Denver, the Buddy Center™ in Castle Rock, the San Luis Valley Animal Center in Alamosa, and the Harmony Equine Center™ in Franktown (see below for more details).

The League's programs include the following:

***Companion Animal Shelter Services***

The League is a Socially Conscious Shelter. Socially Conscious Sheltering (SCS) is a transparent and thoughtful model of how shelters can best support vulnerable companion animals by providing respectful treatment and placement for every healthy and safe animal. The League works with its community, city, county, and state policymakers and other shelters to create the best possible outcomes for pets, while nurturing the human-animal bond and ensuring that no animal is turned away due to age, health status, or behavioral challenges. As a Socially Conscious Shelter, the League assesses the behavior and medical needs of each animal, treats these needs whenever possible, alleviates suffering, makes appropriate and humane euthanasia decisions, and places all healthy and safe animals in loving homes.

***Shelter Veterinary Services (SVS)***

The League provides all needed medical care to the animals in its shelters. Before an animal's adoption and during their stay, the skilled SVS team examines, evaluates, vaccinates, implants microchips, and spays/neuters cats and dogs. A variety of specialized surgeries and other lifesaving treatments are also provided to cats, dogs, and small mammals.

***Community Veterinary Services (CVS)***

The League believes that veterinary care is essential to keeping pets healthy and with the people who love them most. The League's Veterinary Hospital at CSU Spur, located in Denver's Globeville-Elyria-Swansea neighborhood, provides urgent care services for ill or injured pets whose families would not otherwise have access to veterinary care because of economic, language, and other barriers. The fees at CSU Spur are highly subsidized, with flexible payment options available if needed. If a family can afford market rates to provide care for their pet, they are directed to other excellent veterinarians in the community.

As part of the League's commitment to reducing the number of free-roaming cats and homeless pets, the Dumb Friends League Spay/Neuter Clinic, located on the CSU Spur campus, offers subsidized spay/neuter surgeries and core vaccinations for Colorado cats (including owned cats and community cats brought to the hospital by its Metro Cat Street Team via humane Trap-Neuter-Return services) and owned dogs. Moreover, the League hosts regular pop-up vaccine clinics for owned cats and dogs and their families in underserved communities across the Denver Metro Area.

### ***Community Outreach and Educational Services***

Humane education and community engagement play an essential role in fulfilling the League's mission to end pet homelessness and animal suffering. By sharing messages of compassion, kindness, and respect for animals, the League is planting seeds for a world where all living beings are cared for and valued. League educators travel to schools, lead youth camps and volunteer days, and teach virtual and onsite classes for children and adults alike. The League is also home to a dedicated Call Center team, who provide vital resources and bilingual support to people and pets throughout the community.

In addition, the League partners with legislators, policymakers, community leaders, and other changemakers to help shape laws and policies that support the welfare of animals across Colorado. During the legislative session, the League supported the successful passage of Senate Bill 24-045 (also known as the "Spay/Neuter Bill"), which was signed into law in May 2024. This law limits the sale of intact puppies and kittens by requiring breeders and other facilities that import cats and dogs from out of state to spay/neuter them prior to sale – with the only exemption being if the spay/neuter procedure places the animal's life in immediate risk.

The League has also focused its recent advocacy efforts on expanding access to veterinary care for pets and people across Colorado. This past year, the League's advocacy team has worked with veterinarians, animal welfare partners, pet owners, and statewide volunteers to lead a ballot measure seeking to expand access to care through the creation of a Veterinary Professional Associate (PA) position. Like a PA in human medicine, this new role would increase overall workforce capacity by allowing highly-trained professionals with a master's degree in veterinary clinical care to conduct routine wellness exams, diagnose minor conditions, and treat patients under the supervision of a licensed veterinarian.

### ***Equine Rehabilitation Services at Harmony Equine Center™***

The Dumb Friends League Harmony Equine Center™ (Harmony) is a rehabilitation and adoption facility for abused and neglected horses, ponies, donkeys, and mules who have been removed from their owners by law enforcement authorities. As capacity allows, Harmony also accepts owned Colorado equines in need of rehoming from people who can no longer care for them.

When abused and neglected horses and other equines arrive at Harmony, they are examined and given immediate medical care to support their comfort, health, and safety. Once they have been permanently surrendered to Harmony, they are evaluated, trained and socialized, rehabilitated, and adopted, as appropriate.

***Investigative Services***

The League's Animal Protection program works to prevent abuse and neglect and promote animal welfare statewide. This dedicated team also assists law enforcement with investigations and educates owners to help them bring the care of their animals into compliance with the law.

**Comparative Financial Information**

The accompanying 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 accounting principles generally accepted in the United States of America (GAAP). Accordingly, such information should be read in conjunction with the League's audited financial statements for the year ended June 30, 2023, from which the summarized information was derived.

**Cash and Cash Equivalents**

All cash and highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, are considered to be cash and cash equivalents. Cash and highly liquid financial instruments held in the investment portfolio are excluded from this definition.

**Investments**

Investment purchases are recorded at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statement of financial position. Net investment return/(loss) is reported in the statement of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

**Promises to Give**

The League records unconditional promises to give that are expected to be collected within one year at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statement of activities. Allowance for uncollectible promises to give is determined based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectible. At June 30, 2024, there was no allowance for uncollectible promises to give.

**Right of Use Leased Assets and Liabilities**

Right to use leased assets and the related liabilities are recognized at the lease commencement date and represent the League's right to use an underlying asset and lease obligations for the lease term. Right to use leased assets are measured at the initial value of the lease liability plus any payments made to the lessor before the commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease term, plus any initial direct costs necessary to place the lease asset into service. Right to use leased assets are amortized over the shorter of the lease term or the useful life of the underlying asset using the straight-line method. The amortization period varies among the leases.

**Property and Equipment**

Property and equipment additions over \$5,000 are recorded at cost, or if donated, at fair value on the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from 3 to 40 years. When assets are sold or otherwise disposed of, the cost and related depreciation is removed from the accounts, and any resulting gain or loss is included in the statement of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

The carrying values of property and equipment are reviewed for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the year ended June 30, 2024.

**Beneficial Interests in Charitable Trusts and Net Assets of a Community Foundation***Beneficial Interest in Charitable Trust Held by Others*

The League has been named as an irrevocable beneficiary of a charitable trust held and administered by an independent trustee. This trust was created independently by a donor and is administered by an outside agent designated by the donor. The League has neither possession nor control over the assets of the trust; however, at sole discretion of the trust, 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. At the date the League receives notice of a beneficial interest, a contribution with donor restrictions is recorded in the statement of activities and a beneficial interest in charitable trust held by others is recorded in the statement of financial position at fair value using present value techniques and risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the expected distributions to be received under the agreement. Thereafter, beneficial interest in the trust is reported at fair value in the statement of financial position, with changes in fair value recognized in the statement of activities.

### *Beneficial Interest in Perpetual Trusts Held by Others*

The League has been named as an irrevocable beneficiary of several perpetual trusts held and administered by independent trustees. Perpetual trusts provide for the distribution of the net income of the trusts to the League; however, the League will never receive the assets of the trusts. At the date the League receives notice of a beneficial interest, a contribution with donor restrictions of a perpetual nature is recorded in the statement of activities and a beneficial interest in perpetual trust is recorded in the statement of financial position at the fair value of the underlying trust assets. Thereafter, beneficial interests in the trusts are reported at the fair value of the trusts' assets in the statement of financial position, with trust distributions and changes in fair value recognized in the statement of activities.

### *Beneficial Interest in Net Assets of a Community Foundation*

In previous years, the League established an endowment fund that is perpetual in nature (the Fund) under the Community First Foundation (the Foundation) and named itself as beneficiary. The League granted variance power to the Foundation, which allows the Foundation to modify any condition or restriction on its distributions for any specified charitable purpose or to any specified organization if, in the sole judgment of the Foundation's Board of Directors, such restriction or condition becomes unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community. The fund is held and invested by the Foundation for the League's benefit and is reported at fair value in the statement of financial position, with distributions and changes in fair value recognized in the statement of activities.

## **Net Assets**

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

*Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

*Net Assets With Donor Restrictions* – Net assets subject to donor (or certain grantor) restrictions. Some donor (or grantor) restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The League reports unconditional and conditional contributions restricted by donors as increases in net assets 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 purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

## **Contract Revenue and Revenue Recognition**

Revenue from contracts with customers is composed of the adoption and service fees, government contracts, and other sales. The nature of the League's operations gives rise to variable consideration, including discounts that generally decrease the transaction price which reduces revenue. These variable amounts are credited to the customer based on price concessions.

### *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, 2024, total adoption revenue was approximately \$2,119,000. 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, 2024, total service fee revenue was approximately \$3,533,000 and is recognized as the performance obligation is satisfied, as payments are 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, 2024, total government contract revenue was approximately \$220,000 and is recognized at the point in time when services are rendered.

### **Contribution Revenue and Revenue Recognition**

Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. There were no such conditional promises to give at June 30, 2024.

Special events revenue is comprised of an exchange element based upon the direct benefits donors receive and a contribution element for the difference. The League recognizes special events revenue equal to the fair value of direct benefits to donors when the special event takes place. The League recognizes the contribution element of special event revenue immediately, unless there is a right of return if the special event does not take place.

### **In-kind Contributions**

Contributed nonfinancial assets include donated professional services, donated veterinary supplies, donated pet food, and other in-kind contributions which are recorded at the respective fair values of the goods or services received (Note 9). Contributed goods are recorded at fair value at the date of donation. The League does not sell donated gifts-in-kind. In addition to contributed nonfinancial assets, volunteers contributed 212,704 hours during the year ended June 30, 2024 to program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles.

### **Advertising Costs**

Advertising costs are expensed as incurred and approximated \$158,000 during the year ended June 30, 2024.

**Functional Allocation of Expenses**

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. 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.

**Income Taxes**

The League is organized as a Colorado nonprofit corporation and has been recognized by the IRS as exempt from federal income taxes under IRC Section 501(a) as an organization described in IRC Section 501(c)(3), qualifies for the charitable contribution deduction, and have been determined not to be a private foundation. The League is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the League may be subject to income tax on net income that is derived from business activities that are unrelated to the exempt purpose. The League has determined that it is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

Management believes that the League has appropriate support for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the financial statements. The League would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred. The League's Form 990 and other income tax filings required by state, local, or non-U.S. tax authorities are no longer subject to tax examination for years before 2021.

**Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires the League to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates, and those differences could be material.

**Financial Instruments and Credit Risk**

Deposit concentration risk is managed by placing cash and money market accounts with financial institutions believed by the League to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. Insured accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per depositor, per insured bank, for each account ownership category. As of June 30, 2024, the League had approximately \$736,000 in excess of FDIC insurance limits. To date, no losses have been experienced in any of these accounts.

Credit risk associated with accounts receivable and promises to give are limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from individuals, corporations, and foundations supportive of the League's mission. Investments are made by diversified investment managers whose performance is monitored by the League and the Board of Directors. Although the fair values of investments are subject to fluctuation on a year-to-year basis, the League believes that the investment policies and guidelines are prudent for the long-term welfare of the League.

### Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying June 30, 2023 financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

### Subsequent Events

The League has evaluated subsequent events through October 15, 2024, the date the financial statements were available to be issued.

## Note 2 - Liquidity and Availability

The League regularly monitors the availability of resources required to meet operating needs and other contractual commitments, while also working to maximize the investment of its reserves. Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following at June 30, 2024:

Financial Assets	
Cash and cash equivalents	\$ 2,044,580
Operating investments	60,548,863
Promises to give, net	532,761
Other assets	119,427
Beneficial interest in charitable trusts and net assets of a community foundation	<u>5,236,579</u>
Total financial assets	<u>68,482,210</u>
Less Amounts Unavailable for General Expenditures Within One Year	
Promises to give to be collected after one year	(260,761)
Operating investments not available within one year	(11,995,154)
Net assets restricted by donors	<u>(6,024,732)</u>
Total financial assets available for general expenditures within one year	<u><u>\$ 50,201,563</u></u>

The League's invested resources are reserves available to cover general and capital expenditures for facility improvements and maintenance over the next 12 months, if needed. The League budgets conservatively, 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. Annual contributions and estate gifts vary annually and help offset the cost of operations.



**Note 3 - Fair Value Measurements and Disclosures**

Certain assets are reported at fair value in the financial statements. Fair value is the price that would be received to sell an asset in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset based on the best information available.

A three-tier hierarchy categorizes the inputs as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets that can be accessed at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly. These include quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, inputs other than quoted prices that are observable for the asset, and market-corroborated inputs.

Level 3 – Unobservable inputs for the asset. In these situations, inputs are developed using the best information available in the circumstances.

In some cases, the inputs used to measure the fair value of an asset might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, considering factors specific to the asset. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to the League's assessment of the quality, risk, or liquidity profile of the asset.

A significant portion of investment assets are classified within Level 1 because they comprise open-end mutual funds and equities with readily determinable fair values based on daily redemption values. The fair value of beneficial interests in charitable and perpetual trusts and in net assets held by the community foundation is based on the fair value of fund investments as reported by the trustees and community foundation. These are considered Level 3 measurements.

The League uses net asset value (NAV) per share, or its equivalent, such as member units or an ownership interest in partners' capital, as a practical expedient to estimate the fair values of certain funds, which do not have readily determinable fair values. Investments that are measured at fair value using NAV per share as a practical expedient are not classified in the fair value hierarchy.

Denver Dumb Friends League

Notes to Financial Statements

June 30, 2024

The following table presents assets measured at fair value on a recurring basis, except those measured at cost or by using NAV per share as a practical expedient as identified in the following, at June 30, 2024:

	Total	Fair Value Measurements at Report Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Investments</b>				
Cash and money market funds	\$ 3,450,128	\$ -	\$ -	\$ -
Equities and mutual funds	14,924,855	14,924,855	-	-
Fixed-income bond fund	1,561,463	1,561,463	-	-
International equity fund	3,460,497	3,460,497	-	-
Balanced fund	249,686	249,686	-	-
Funds held at NAV				
Hedged	13,335,100	-	-	-
Absolute return	11,880,465	-	-	-
International	6,864,719	-	-	-
Small-cap	4,821,950	-	-	-
	<u>\$ 60,548,863</u>	<u>\$ 20,196,501</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Beneficial Interests In</b>				
Charitable trust	\$ 2,501,884	\$ -	\$ -	\$ 2,501,884
Perpetual trusts held by others	2,553,111	-	-	2,553,111
Assets held by community foundation	181,584	-	-	181,584
	<u>\$ 5,236,579</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,236,579</u>

The following is a reconciliation of the beginning and ending balance of assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the year ended June 30, 2024:

	Fair Value Measurements at Report Date Using Significant Unobservable Inputs (Level 3)			Total
	Beneficial Interests			
	Charitable Trust	Perpetual Trusts Held By Others	Assets Held by Community Foundation	
Balance Beginning of Year	\$ 2,263,732	\$ 2,346,911	\$ 176,279	\$ 4,786,922
Investment return, net	278,876	349,851	14,950	643,677
Distributions	(40,724)	(143,651)	(9,645)	(194,020)
Balance End of Year	<u>\$ 2,501,884</u>	<u>\$ 2,553,111</u>	<u>\$ 181,584</u>	<u>\$ 5,236,579</u>

Investments in certain funds that are measured at fair value using NAV per share as a practical expedient are as follows at June 30, 2024:

	Number of Investments	Fair value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Hedged	4	\$ 13,335,100	\$ -	Quarterly, limited (1)	45-60 days
Absolute return	4	11,880,465	-	Illiquid, limited (1)	None, 60-75 days
International	2	6,864,719	-	Weekly to monthly	5-30 days
Small-cap	1	4,821,950	-	Monthly	30 days
		<u>\$ 36,902,234</u>	<u>\$ -</u>		

(1) The liquidity of three investments is limited based on continual rolling 3-5 year lockup periods, at which point the investment will become available on the anniversary with 60 days' notice. One of these rolling investments has a penalty-free option to withdraw up to 25% annually. Additionally, three other investments are limited to withdraw up to 25% quarterly.

**Hedged** – Funds that can invest long and short, primarily in common stocks. Fund managers may invest in value or growth-driven equity opportunities and typically are not restricted by market capitalization, industry sector, or geography. The investments dominate exposure in the U.S. market but will also take advantage of investment opportunities in Europe, Asia, and emerging markets.

**Absolute return** – 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.

**International** – Funds focused on long-only international equities. The underlying assets are liquid, and the funds' managers provide details of those assets.

**Small-cap** – 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 4 - Promises to Give**

Unconditional promises to give are estimated to be collected as follows at June 30, 2024:

Within one year	\$	274,000
In one to five years		272,000
		546,000
Less discount to net present value at a rate of 4.31%		(11,239)
Less allowance for uncollectable promises to give		(2,000)
		\$ 532,761

At June 30, 2024, one donor accounted for 73% of total promises to give.

**Note 5 - Property and Equipment**

Property and equipment consist of the following at June 30, 2024:

Land and improvements	\$	4,845,726
Buildings and improvements		56,436,617
Transportation equipment		1,105,832
Furniture and fixtures		3,961,788
Computer equipment and software		911,563
		67,261,526
Less accumulated depreciation		(17,789,187)
		\$ 49,472,339

**Note 6 - Debt**

During 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 are 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% and is collateralized by the Leslie A. Malone Center land and building. The agreement requires the League to comply with certain financial and non-financial covenants. Principal payments are as follows for the year ending June 30:

2025	\$	733,750
2026		754,970
2027		782,172
		\$ 2,270,892

**Note 7 - Leases**

The League leases 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%. Additionally, the operating lease agreement requires the League to pay real estate taxes, insurance, utilities, and maintenance costs.

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% 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 has elected the short-term lease exemption for all leases with a term of 12 months or less for both existing and ongoing operating leases to not recognize the asset and liability for these leases. Lease payments for short-term leases are recognized on straight-line basis.

The League elected the practical expedient to not separate lease and non-lease 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.

Total lease costs for the year ended June 30, 2024 are as follows:

Operating lease cost	\$	265,365
Short-term lease cost		9,411
		<u>274,776</u>
	\$	<u>274,776</u>
Other information - Operating leases		
Cash paid for amounts included in the measurement of lease liabilities	\$	265,365
Weighted-average remaining lease term		7.9 years
Weighted-average discount rate		2.94%

The future minimum lease payments under the operating lease are as follows:

2025	\$	265,365
2026		265,365
2027		265,365
2028		265,365
2029		265,365
Thereafter		<u>773,982</u>
Total lease payments		2,100,807
Less interest		<u>(228,604)</u>
Present value of lease liabilities	\$	<u><u>1,872,203</u></u>

#### Note 8 - Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or periods at June 30, 2024:

Subject to Expenditure for Specified Purpose		
Denver Metro Cat	\$	424,400
Hope Fund		241,267
Other		<u>122,486</u>
		<u>788,153</u>
Not Subject to Spending Policy or Appropriation		
Charitable trust		2,501,884
Perpetual trusts held by others		2,553,111
Assets held by community foundation		<u>181,584</u>
		<u>5,236,579</u>
	\$	<u><u>6,024,732</u></u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or other events specified by the donors as follows for the year ended June 30, 2024:

Satisfaction of Purpose Restrictions		
Denver Metro Cat	\$	193,097
Veterinary services		894,054
Other		<u>838,029</u>
	\$	<u><u>1,925,180</u></u>

**Note 9 - Contributed Nonfinancial Assets**

For the year ended June 30, 2024, contributed nonfinancial assets recognized within the statement of activities included the following:

	Companion Animal Shelter Services	Shelter Veterinary Services	Community and Educational Services	Fundraising and Development	Total
Pet food	\$ 552,850	\$ 38,208	\$ -	\$ -	\$ 591,058
Medical supplies and equipment	-	199,536	-	-	199,536
Advertising	-	-	13,828	28,476	42,304
Veterinary services	-	217	-	-	217
	<u>\$ 552,850</u>	<u>\$ 237,961</u>	<u>\$ 13,828</u>	<u>\$ 28,476</u>	<u>\$ 833,115</u>

Contributed veterinary services are used in program services and are recognized at fair value based on current rates for similar veterinary services.

Contributed food, supplies, and advertising are valued using estimated U.S. wholesale prices (principal market) that would be received for selling similar products. Contributed pet food and medical supplies and equipment are used in program services, while contributed advertising is used for community and educational services as well as fundraising and development.

All contributed nonfinancial assets received for the year ended June 30, 2024 were without donor restrictions.

**Note 10 - Retirement Plans**

The League sponsors a 401(k) plan covering substantially all full-time 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% of each participant's elective deferral, not to exceed 3% of the participant's compensation, plus 50% of each participant's elective deferral in excess of 3% but not in excess of 5% of the participant's compensation. Contributions to the plan totaled approximately \$570,000 for the year ended June 30, 2024.

**Note 11 - 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. At June 30, 2024, the assets totaling \$225,873 are included within the League's operating investments and represent the remaining deferred compensation liability to be paid out over a 7-year period.

**Note 12 - Contingency**

The League may become involved in claims and pending litigation arising in the normal course of operations and carries liability insurance to mitigate against such risks. No amounts are recorded in the financial statements of the League until such time that the outcome is assured and loss contingency is estimable.