

# CAT ADOPTION TEAM

Reviewed Financial Statements

For the Year Ended December 31, 2019



McDONALD JACOBS

## INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors  
Cat Adoption Team

We have reviewed the accompanying financial statements of Cat Adoption Team (CAT or the Organization), a nonprofit corporation, which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

### *Management's Responsibility for the Financial Statements*

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

### *Accountant's Responsibility*

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

### *Accountant's Conclusion*

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

*Report on Summarized Comparative Information*

The prior year summarized comparative information has been derived from the Organization's 2018 financial statements and based on our report dated April 15, 2019, we were not aware of any material modifications that should have been made to the financial statements in order to be in accordance with accounting principles generally accepted in the United States of America.

*McDonald Jacobz, P.C.*

Portland, Oregon  
April 17, 2020

CAT ADOPTION TEAM  
STATEMENT OF FINANCIAL POSITION  
December 31, 2019  
(With comparative totals for 2018)

ASSETS	<u>2019</u>	<u>2018</u>
Current Assets:		
Cash and cash equivalents	\$ 232,057	\$ 131,834
Pledges and accounts receivable	86,450	81,232
Prepaid expenses	22,829	17,904
Inventory	<u>86,888</u>	<u>81,273</u>
Total current assets	428,224	312,243
Investments	2,110,009	1,473,916
Deposits and other assets	25,997	27,604
Charitable remainder annuity trust	1,269,564	1,091,324
Beneficial interest in assets held by a foundation	2,366,844	2,059,431
Property and equipment, net	<u>1,788,432</u>	<u>1,846,002</u>
TOTAL ASSETS	<u>\$ 7,989,070</u>	<u>\$ 6,810,520</u>

LIABILITIES AND NET ASSETS

Current Liabilities:		
Accounts payable and accrued expenses	\$ 56,599	\$ 34,834
Accrued payroll and vacation	94,298	81,254
Note payable, current portion	<u>34,548</u>	<u>33,189</u>
Total current liabilities	185,445	149,277
Deferred rent	3,225	3,117
Note payable, less current portion	<u>461,296</u>	<u>495,525</u>
Total liabilities	<u>649,966</u>	<u>647,919</u>
Net Assets:		
Without donor restrictions:		
Undesignated	2,241,653	1,622,607
Net property and equipment	<u>1,292,588</u>	<u>1,317,288</u>
Total without donor restrictions	3,534,241	2,939,895
With donor restrictions	<u>3,804,863</u>	<u>3,222,706</u>
Total net assets	<u>7,339,104</u>	<u>6,162,601</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 7,989,070</u>	<u>\$ 6,810,520</u>

See independent accountant's review report and notes to financial statements.

**CAT ADOPTION TEAM**  
**STATEMENT OF ACTIVITIES**  
For the year ended December 31, 2019  
(With comparative totals for 2018)

	2019			2018 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
<b>Support and revenue:</b>				
Contributions and grants	\$ 1,101,969	\$ 181,407	\$ 1,283,376	\$ 756,616
Special event revenue, net of direct costs of \$55,661 for 2019 and \$56,800 for 2018	160,807	-	160,807	152,136
Program service revenue	610,389	-	610,389	557,220
Donated materials and services	183,561	-	183,561	152,770
Retail sales, less cost of sales of \$70,565 for 2019 and \$80,702 for 2018	68,671	-	68,671	58,557
Interest and dividend income	48,485	-	48,485	36,125
Change in value of investments	211,648	-	211,648	(118,186)
Rental income, net of property taxes	79,313	-	79,313	66,130
Change in value of:				
Charitable remainder annuity trust Beneficial interest in assets held by a foundation	-	243,718	243,718	(99,162)
	-	417,863	417,863	(101,085)
Net assets released from restrictions:				
Satisfaction of purpose restrictions	<u>260,831</u>	<u>(260,831)</u>	<u>-</u>	<u>-</u>
	<u>2,725,674</u>	<u>582,157</u>	<u>3,307,831</u>	<u>1,461,121</u>
<b>Thrift Store:</b>				
Sales of donated merchandise	278,300	-	278,300	244,673
Donated goods for thrift store	282,295	-	282,295	243,210
Less inventory sold	<u>(278,300)</u>	<u>-</u>	<u>(278,300)</u>	<u>(244,673)</u>
Net thrift store	<u>282,295</u>	<u>-</u>	<u>282,295</u>	<u>243,210</u>
Total support and revenue	<u>3,007,969</u>	<u>582,157</u>	<u>3,590,126</u>	<u>1,704,331</u>
<b>Expenses:</b>				
Animal services	1,847,222	-	1,847,222	1,627,360
Thrift store	227,645	-	227,645	205,569
Management and general	127,088	-	127,088	114,404
Fundraising	<u>211,668</u>	<u>-</u>	<u>211,668</u>	<u>180,992</u>
Total expenses	<u>2,413,623</u>	<u>-</u>	<u>2,413,623</u>	<u>2,128,325</u>
Change in net assets	594,346	582,157	1,176,503	(423,994)
<b>Net assets:</b>				
Beginning of year	<u>2,939,895</u>	<u>3,222,706</u>	<u>6,162,601</u>	<u>6,586,595</u>
End of year	<u>\$ 3,534,241</u>	<u>\$ 3,804,863</u>	<u>\$ 7,339,104</u>	<u>\$ 6,162,601</u>

See independent accountant's review report and notes to financial statements.

CAT ADOPTION TEAM  
STATEMENT OF FUNCTIONAL EXPENSES  
For the year ended December 31, 2019

	<u>Animal Services</u>	<u>Thrift Store</u>	<u>Management and General</u>	<u>Fund - Raising</u>	<u>Total</u>
Salaries and related costs	\$ 1,159,705	\$ 144,350	\$ 67,992	\$ 124,914	\$ 1,496,961
Professional fees	46,522	538	38,000	5,727	90,787
Supplies	327,097	5,949	9	3,765	336,820
Medical services	21,137	-	-	-	21,137
Grants to others	34,500	-	-	-	34,500
Equipment and maintenance	23,229	4,681	-	-	27,910
Utilities and telephone	47,619	9,667	41	-	57,327
Printing, postage and shipping	9,367	382	-	40,113	49,862
Insurance	16,010	-	2,825	-	18,835
Meetings and trainings	42,250	775	-	766	43,791
Advertising, marketing and outreach	17,822	8,571	-	119	26,512
Depreciation	79,759	886	4,431	3,545	88,621
Interest expense	18,117	-	3,176	-	21,293
Rent	-	43,877	-	-	43,877
Other operating expenses	4,088	7,969	29,255	88,380	129,692
Cost of good sold	70,565	278,300	-	-	348,865
	<u>1,917,787</u>	<u>505,945</u>	<u>145,729</u>	<u>267,329</u>	<u>2,836,790</u>
Less property taxes reported with rental income	-	-	(18,641)	-	(18,641)
Less direct benefit costs of special event	-	-	-	(55,661)	(55,661)
Cost of sales netted with revenue	<u>(70,565)</u>	<u>(278,300)</u>	<u>-</u>	<u>-</u>	<u>(348,865)</u>
Total expenses	<u>\$ 1,847,222</u>	<u>\$ 227,645</u>	<u>\$ 127,088</u>	<u>\$ 211,668</u>	<u>\$ 2,413,623</u>

See independent accountant's review report and notes to financial statements.

**CAT ADOPTION TEAM**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
For the year ended December 31, 2018

	<u>Animal Services</u>	<u>Thrift Store</u>	<u>Management and General</u>	<u>Fund - Raising</u>	<u>Total</u>
Salaries and related costs	\$ 1,057,289	\$ 129,880	\$ 61,235	\$ 108,036	\$ 1,356,440
Professional fees	43,677	409	34,935	3,920	82,941
Supplies	280,560	4,677	-	3,861	289,098
Medical services	16,138	-	-	-	16,138
Equipment and maintenance	28,624	4,091	-	-	32,715
Utilities and telephone	44,146	9,367	34	-	53,547
Printing, postage and shipping	10,584	873	-	37,202	48,659
Insurance	12,081	-	2,132	-	14,213
Meetings and trainings	33,520	39	-	951	34,510
Advertising, marketing and outreach	20,991	5,090	-	789	26,870
Depreciation	57,735	642	3,207	1,612	63,196
Interest expense	18,913	-	3,338	-	22,251
Rent	-	43,964	-	-	43,964
Other operating expenses	3,102	6,537	27,637	81,421	118,697
Cost of good sold	<u>80,702</u>	<u>244,673</u>	<u>-</u>	<u>-</u>	<u>325,375</u>
	1,708,062	450,242	132,518	237,792	2,528,614
Less property taxes reported with rental income	-	-	(18,114)	-	(18,114)
Less direct benefit costs of special event	-	-	-	(56,800)	(56,800)
Cost of sales netted with revenue	<u>(80,702)</u>	<u>(244,673)</u>	<u>-</u>	<u>-</u>	<u>(325,375)</u>
Total expenses	<u>\$ 1,627,360</u>	<u>\$ 205,569</u>	<u>\$ 114,404</u>	<u>\$ 180,992</u>	<u>\$ 2,128,325</u>

See independent accountant's review report and notes to financial statements.

CAT ADOPTION TEAM  
STATEMENT OF CASH FLOWS  
For the year ended December 31, 2019  
(With comparative totals for 2018)

	<u>2019</u>	<u>2018</u>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 1,176,503	\$ (423,994)
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	88,621	63,196
Change in value of investments	(211,648)	118,186
Change in value of charitable remainder annuity trust	(243,718)	99,162
Change in value of beneficial interest in assets held by a foundation	(417,863)	101,085
(Increase) decrease in:		
Pledges and accounts receivable	(5,218)	(22,822)
Prepaid expenses	(4,925)	(2,675)
Inventory	(5,615)	2,819
Other assets	1,607	(2,589)
Increase (decrease) in:		
Accounts payable and accrued expenses	21,765	(7,267)
Accrued payroll and vacation	13,044	16,435
Deferred rent	<u>108</u>	<u>660</u>
Net cash flows from operating activities	<u>412,661</u>	<u>(57,804)</u>
<b>Cash flows from investing activities:</b>		
Purchase of property and equipment	(31,051)	(154,428)
Proceeds from the sale of investments	1,769,398	1,638,422
Purchase of investments	(2,193,843)	(1,754,878)
Distribution from charitable remainder annuity trust	65,478	65,478
Distribution from beneficial interest in assets	<u>110,450</u>	<u>112,608</u>
Net cash flows from investing activities	<u>(279,568)</u>	<u>(92,798)</u>
<b>Cash flows from financing activities:</b>		
Principal payments on note payable	<u>(32,870)</u>	<u>(31,561)</u>
Net cash flows from financing activities	<u>(32,870)</u>	<u>(31,561)</u>
Net change in cash and cash equivalents	100,223	(182,163)
Cash and cash equivalents - beginning of year	<u>131,834</u>	<u>313,997</u>
Cash and cash equivalents - end of year	<u>\$ 232,057</u>	<u>\$ 131,834</u>
<b>Supplemental cash flow information:</b>		
Cash paid during the year for interest	<u>\$ 20,941</u>	<u>\$ 22,251</u>

See independent accountant's review report and notes to financial statements.



CAT ADOPTION TEAM  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2019

I. DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Organization

Cat Adoption Team (CAT or the Organization) is an Oregon nonprofit organization established in 1998. CAT's mission is to save the lives of homeless, unwanted, sick, and injured cats and to work with the community to provide feline expertise and quality programs and services for people and cats.

CAT's revenue sources include donations, sponsorships, bequests and grants from individuals, business, and foundations; adoption and hospital fees; and retail and thrift store sales.

CAT operates the following programs:

**Shelter:** CAT is the Pacific Northwest's largest nonprofit feline-only shelter. Located in Sherwood, CAT's shelter can accommodate up to 200 cats and kittens. CAT focuses on taking in cats at high risk of euthanasia, with 85% of cats and kittens coming from other shelters through their Nine Lives Transfer Program. CAT offers enrichment, behavior modification, excellent veterinary care and a variety of housing options to meet the individual needs of the cats and kittens in its care.

**Adoption:** In 2019, CAT found homes for 3,614 cats and kittens from its shelter, offsite adoption centers and foster homes. Frequent promotions highlight cats who might otherwise require more time to find a home. Adoptable cats and kittens are available for viewing at [catadoptionteam.org](http://catadoptionteam.org), [PetFinder.com](http://PetFinder.com) and [AdoptAPet.com](http://AdoptAPet.com).

**Hospital:** With an onsite hospital and a professional veterinary team, CAT provides preventive care, dental care, and treatment for various illnesses and injuries. The hospital includes a surgical suite, x-ray and laboratory services, and isolation wards to care for cats with infectious diseases.

**Foster Care:** CAT's nationally recognized kitten foster program provides care for kittens too young for adoption and too vulnerable to be safely housed in the shelter. Foster homes are also used for short-term care and treatment of adult cats. In 2019, CAT's volunteer foster homes cared for 1,242 kittens and 79 adults (including 56 mother cats).

**Spay/Neuter:** In addition to ensuring that all adopted cats and kittens are spayed or neutered, CAT also provides low-cost spay/neuter services for cats whose owners are struggling financially. In 2019, CAT participated in two such programs; Spay & Save (offered by several Animal Shelter Alliance of Portland partners) and the Oregon Spay/Neuter Fund. CAT performed 2,591 surgeries through these programs.

See independent accountant's review report.

CAT ADOPTION TEAM  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
December 31, 2019

I. DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, *Continued*

Description of Organization, Continued

**CAT Helpline:** The CAT Helpline offers resources and advice to help cat owners and others who are struggling with a feline behavior or health problem or trying to re-home a cat. The goal is to help keep cats in their homes and out of shelters whenever possible.

**Thrift Store:** CAT operates a thrift store in the Raleigh Hills neighborhood of Portland; the proceeds from sales support CAT's operations. The Thrift Store also raises awareness about CAT, houses special needs cats available for adoption, and hosts and participates in community events to engage the public in CAT activities.

**Collaboration:** CAT is a founding partner of the Animal Shelter Alliance of Portland (ASAP), a coalition of shelters and veterinary organizations. Working together, ASAP partner shelters have increased the save rate for cats in the Portland metro from 46% to 95.4% since 2006. CAT also works with other public and private shelters and animal welfare organizations in Oregon, Washington and beyond.

**Food Bank:** The CAT food bank helps homebound cat owners by distributing cat food in partnership with Meals on Wheels programs and senior centers in three Washington County cities.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed 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) imposed restrictions. Some donor-imposed 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-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

See independent accountant's review report.

CAT ADOPTION TEAM  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
December 31, 2019

I. DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, *Continued*

Cash and Cash Equivalents

CAT considers all highly liquid investments available for current use with maturities of three months or less at the time of purchase to be cash equivalents.

Pledges and Accounts Receivable

Pledges and accounts receivable are reported at the amount management of the Organization expects to collect on balances outstanding at year-end. Based on an assessment of the credit history with those having outstanding balances and current relationships with them, management has concluded that realization losses on balances outstanding at year-end will be immaterial.

Inventory

Inventory, consisting of retail pet food and supplies, and thrift store merchandise, is reflected at the lower of cost for purchased items and estimated fair value for donated items, or net realizable value, determined on the first-in, first-out (FIFO) basis. Fair value for donated items is estimated to be the price that can be charged in the thrift store operated by the Organization.

Investments

Investments are carried at fair value. Donor-restricted investment income is reported as an increase in net assets with donor restrictions and classified according to the nature of the restriction.

Property and Equipment

Acquisitions of property and equipment in excess of \$2,500 are capitalized. Property and equipment purchased are recorded at cost. Donated assets are reflected as contributions at their estimated fair value on the date received.

Depreciation

Depreciation of property and equipment is calculated using the straight-line method over the estimated useful lives of the assets, which range from 5 to 40 years.

See independent accountant's review report.

CAT ADOPTION TEAM  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
December 31, 2019

I. DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, *Continued*

Revenue Recognition

Revenue from various sources are recognized as follows:

**Contributions and Grants:** Contributions and grants, which include unconditional promises to give (pledges), are recognized as revenues in the period the Organization is notified of the commitment. Conditional contributions and promises to give with measurable performance requirements or other barriers, and/or a right of return, are not recognized until the conditions on which they depend have been substantially met. Bequests are recorded as revenue at the time the Organization has an established right to the bequest and the proceeds are measurable.

**Program Services and Sales:** Revenue from animal services is recognized in the period services are performed. Retail and thrift store sales are recognized at the point of time the sale transaction takes place.

**Rental Income:** Revenue from sub-lease contract revenue is recognized over the term of the lease on a straight-line basis, with rent earned, but not yet received. included in other assets. Also see Note 12 for detail on future receipts.

**Donated Assets, Materials and Services:** Donations of property, equipment, materials and other assets are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Donated supplies used in program services totaled approximately \$175,500 and \$146,500 for 2019 and 2018, respectively. Donated goods for sale in the thrift store totaled approximately \$282,000 and \$243,000 for 2019 and 2018, respectively.

CAT recognizes donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Donated services are recorded at their estimated fair value at the date of donation. Approximately \$8,000 of in-kind services related to fundraising and promotion were recorded for 2019 (approximately \$6,300 in 2018).

CAT has agreements with various organizations that provide adoption outreach centers for CAT's adoptable animals. These centers provide space, food, litter, and supplies for the animals at the centers. No amounts are recorded for these donations as it is not practical to estimate their value.

See independent accountant's review report.

CAT ADOPTION TEAM  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
December 31, 2019

I. DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, *Continued*

Income Tax Status

Cat Adoption Team is a nonprofit corporation exempt from federal and state income tax under section 501(c)(3) of the Internal Revenue Code and applicable state law. No provision for income taxes is made in the accompanying financial statements, as the Organization has no activities subject to unrelated business income tax. CAT is not a private foundation.

The Organization follows the provisions of FASB ASC Topic *Accounting for Uncertainty in Income Taxes*. Management has evaluated the Organization's tax positions and concluded that there are no uncertain tax positions that require adjustment to the financial statements to comply with provisions of this Topic.

Functional Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The expenses that are allocated include salaries and related costs, depreciation, and other costs, which are allocated on the basis of estimates of time and effort.

Advertising Costs

CAT uses advertising to promote its programs and services. Advertising costs are expensed as incurred and approximated \$24,300 and \$24,600 for 2019 and 2018, respectively.

Use of Estimates

The preparation of financial statements in conformity with U.S. 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Change in Accounting Principles

The Organization has implemented Accounting Standards Update 2014-09, *Revenue from Contracts with Customers* beginning in 2019. This standard establishes a new contract and control-based revenue recognition model, changes the basis for deciding when revenue is recognized over time or at a point in time, and expands disclosures about revenue. The various provisions of this standard resulted in no significant changes in the way the Organization recognizes revenue, and therefore no changes to the previously issued financial statements were required on a retrospective basis.

See independent accountant's review report.

CAT ADOPTION TEAM  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
December 31, 2019

1. DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, *Continued*

Change in Accounting Principles, *Continued*

The Organization implemented Accounting Standards Update 2018-08, *clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This standard assists organizations in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. The implementation of the provisions of ASU 2018-08 were applicable to both contributions received and to contributions made in the accompanying financial statements under a modified prospective basis. There was no significant impact to the Organization's revenue recognition in either year presented for this change in accounting principle.

Summarized Financial Information for 2018

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 our reviewed financial statements for the year ended December 31, 2018, from which the summarized information was derived.

2. AVAILABILITY OF RESOURCES AND LIQUIDITY MANAGEMENT

CAT regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. For purposes of analyzing resources available to meet general expenditures over a 12-month period, CAT considers all expenditures related to its primary operations to be general expenditures. It excludes financial assets with donor or other restrictions limiting their use.

Financial assets of the Organization consist of the following at December 31:

	2019	2018
Cash and cash equivalents	\$ 232,057	\$ 131,834
Pledges and accounts receivable	86,450	81,232
Investments	2,110,009	1,473,916
	2,428,516	1,686,982
Less amounts unavailable for general expenditure:		
Net assets with donor restrictions	168,455	71,951
Financial assets available for general expenditure	\$ 2,260,061	\$ 1,615,031

Additionally, the Organization receives annual distributions from split interest agreements totaling approximately \$176,000 and \$178,000 in 2019 and 2018, respectively, and anticipates similar distributions in 2020.

See independent accountant's review report.

CAT ADOPTION TEAM  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
December 31, 2019

3. PLEDGES AND ACCOUNTS RECEIVABLE

Pledges and accounts receivable are unsecured and consist of the following at December 31:

	<u>2019</u>	<u>2018</u>
Pledges receivable within one year	\$ 82,443	\$ 78,850
Accounts receivable - program fees	<u>4,007</u>	<u>2,382</u>
Total pledges and accounts receivable	<u>\$ 86,450</u>	<u>\$ 81,232</u>

During 2019, CAT was notified that it was a beneficiary of an estate. As of the date of the report, the funds have not been received and management is uncertain if initial estate estimates were based on invested assets that may have been impacted by the market decline in early 2020 (see Note 15). As such, no amounts have been recorded as of December 31, 2019. The bequest will be recorded as revenue when clarification on final amounts receivable is obtained.

4. INVENTORY

Inventory consists of the following at December 31:

	<u>2019</u>	<u>2018</u>
Pet food and supplies	\$ 33,898	\$ 32,299
Thrift store goods	<u>52,990</u>	<u>48,974</u>
Total inventory	<u>\$ 86,888</u>	<u>\$ 81,273</u>

5. INVESTMENTS

Investments consists of the following at December 31:

	<u>2019</u>	<u>2018</u>
Cash equivalents	\$ 587,320	\$ 177,607
Certificate of deposit	100,439	101,464
Equity securities	82,375	76,265
Fixed income securities	388,327	447,722
Mutual and exchange traded funds	<u>951,548</u>	<u>670,858</u>
Total investments	<u>\$ 2,110,009</u>	<u>\$ 1,473,916</u>

The certificate of deposit earns interest at 1.9% per annum and matures January 9, 2020. The certificate was not renewed at maturity.

See independent accountant's review report.

CAT ADOPTION TEAM  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
December 31, 2019

6. CHARITABLE REMAINDER ANNUITY TRUST AND BENEFICIAL INTEREST IN ASSETS HELD BY A FOUNDATION

Charitable Remainder Annuity Trust

The Organization is the beneficiary under a charitable remainder annuity trust (the Trust). The Trust provides for the payment of distributions to a designated beneficiary and five nonprofit organizations for the life of the beneficiary. At the end of the Trust's terms, a portion of the remaining assets are available and will be distributed to the Organization as stipulated by the grantor. The present value of the future benefits to be received by the Organization is recorded in the statement of activities as a contribution with donor restrictions at the time the amount is measureable. The Organization will receive 20% of the assets that remain in the Trust after the death of the life beneficiary. Distributions of 5% are made annually with \$24,000 paid to the designated beneficiary and the remaining amount paid equally to the five nonprofit beneficiaries. Utilizing a 3% discount rate and the beneficiary's projected life, the estimated fair value of the amount receivable under this agreement is \$1,269,564 and \$1,091,324 at December 31, 2019 and 2018, respectively.

Beneficial Interest in Assets Held by a Foundation

The Organization is a beneficiary of a foundation created for the benefit of five charitable organizations. A portion of the assets of the foundation are distributed annually to the beneficiaries for the shorter of 50 years or until the assets are fully distributed. The asset recorded is determined by multiplying the total fair value of the foundation's assets by the Organization's percentage share. Any change to the value is reflected as a revaluation gain or loss in the current statement of activities. The beneficial interest in the assets of the foundation is classified as a net asset with donor restrictions. The estimated value of the Organization's interest in the assets held by the foundation is \$2,366,844 and \$2,059,431 at December 31, 2019 and 2018, respectively.

7. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31:

	2019	2018
Land	\$ 600,000	\$ 600,000
Building and improvements	1,538,403	1,535,296
Furniture and equipment	418,003	390,059
	2,556,406	2,525,355
Less accumulated depreciation	767,974	679,353
Property and equipment, net	\$ 1,788,432	\$ 1,846,002

See independent accountant's review report.



CAT ADOPTION TEAM  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
December 31, 2019

8. NOTE PAYABLE

The note payable is due to Bank of the West, secured by real estate and accrues interest at 4.02% per annum. Interest and principal payments of \$4,484 are due monthly, with a maturity date of June 2031.

The balances are as follows at December 31:

	2019	2018
Current portion	\$ 34,548	\$ 33,189
Long-term portion	461,296	495,525
Total note payable	\$ 495,844	\$ 528,714

Maturities of the note payable are as follows:

Year ending December 30, 2020	\$ 34,548
2021	35,963
2022	37,436
2023	38,969
2024	40,565
Thereafter	308,363
	\$ 495,844

9. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with expiring donor restrictions are restricted for the following purposes at December 31:

	2019	2018
Fostering 4 Rock Stars training program	\$ 60,000	\$ 60,000
Fostering and offsite adoption	57,000	-
LA Relocation Program	50,000	10,000
Food bank	1,455	1,951
Charitable remainder annuity trust	1,269,564	1,091,324
Beneficial interest in assets held by a foundation	2,366,844	2,059,431
Total net assets with expiring donor restrictions	\$ 3,804,863	\$ 3,222,706

See independent accountant's review report.

CAT ADOPTION TEAM  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
December 31, 2019

10. REVENUE FROM CONTRACTS WITH CUSTOMERS

For revenue from contracts with customers, the timing of revenue recognition, billings, and cash collections may result in billed accounts receivable and unbilled receivables (contract assets) and customer advances and deposits (contract liabilities) on the balance sheet. There were no advances or deposits (contract liabilities) at either December 31, 2019 and 2018.

Revenue from customers is recognized as follows:

- Animal service revenue is recognized at the time services are performed.
- Retail and thrift store sales revenue is recognized at the point in time of the sale transaction.

Revenue by type:	2019	2018
Milestone based:		
Animal services	\$ 588,380	\$ 540,972
Retail and thrift store sales	417,536	394,046
Total contract revenue	\$ 1,005,916	\$ 935,018

The beginning and ending contract balances are as follows:

	December 31,		
	2019	2018	2017
Contract assets:			
Accounts receivable, animal services	\$ 4,007	\$ 2,382	\$ 4,222

11. RETIREMENT PLAN

All part-time and full-time CAT employees are eligible to participate in the Organization's 403(b) retirement plan upon completing their 90-day introductory period. CAT does not match funds deposited into 403(b) accounts and, therefore, no retirement contribution expense is recognized in the accompanying financial statements.

See independent accountant's review report.

CAT ADOPTION TEAM  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
December 31, 2019

12. OPERATING LEASE COMMITMENTS

CAT leases retail space for its thrift store activities under a noncancelable operating lease through March 2022. Monthly rent under the lease is currently \$4,150 subject to annual increases up to \$4,300. The total lease is expensed over the term of the lease on a straight-line basis, with deferred rent totaling \$3,225 and \$3,117 at December 31, 2019 and 2018, respectively.

Lease expense of approximately \$43,900 was recognized for the years ended 2019 and 2018. Future minimum payments are as follows:

Year ending December 30, 2020	\$	50,500
2021		51,400
2022		12,900
		<u>114,800</u>
	\$	<u>114,800</u>

CAT leases its owned warehouse space to an unrelated party under a noncancelable operating lease with a five-year term through July 2021. The total lease is recognized over the term of the lease on a straight-line basis, with deferred rent income included in other assets totaling \$13,462 and \$15,538 at December 31, 2019 and 2018, respectively. Lease income totaled approximately \$84,000 and was recognized for 2019 and 2018. Future minimum rental income under the operating lease is as follows:

Year ending December 30, 2020	\$	34,548
2021		35,963
2022		37,436
2023		38,969
2024		40,565
Thereafter		<u>308,363</u>
	\$	<u>495,844</u>

13. CONCENTRATIONS OF CREDIT RISK

CAT maintains its cash balances in one financial institution. Balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The balances, at times, may exceed the federally insured limit. There were no uninsured balances at December 31, 2019 and December 31, 2018.

Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

See independent accountant's review report.

CAT ADOPTION TEAM  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
December 31, 2019

14. FAIR VALUE MEASUREMENTS

Assets and liabilities recorded at fair value in the statement of financial position are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Level inputs are defined as follows:

Level 1: Unadjusted quoted prices in active markets for identical assets and liabilities.

Level 2: Observable inputs other than those included in Level 1, such as quoted market prices for similar assets or liabilities in active markets, or quoted market prices for identical assets or liabilities in inactive markets.

Level 3: Unobservable inputs reflecting Management's own assumptions about the inputs used in pricing the asset or liability. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair values requires significant Management judgment or estimation.

Fair values of assets measured on a recurring basis at December 31, 2019 and 2018 are as follows:

	Fair Value	Level 1	Level 2	Level 3
<u>December 31, 2019</u>				
Investments:				
Equity securities	\$ 82,375	\$ 82,375	\$ -	\$ -
Corporate bonds	388,327	-	388,327	-
Mutual and exchange traded funds	951,548	951,548	-	-
Charitable remainder annuity trust	1,269,564	-	-	1,269,564
Beneficial interest in assets held by a foundation	2,366,844	-	-	2,366,844
<u>December 31, 2018</u>				
Investments:				
Equity securities	\$ 76,265	\$ 76,265	\$ -	\$ -
Corporate bonds	447,722	-	447,722	-
Mutual and exchange traded funds	670,858	670,858	-	-
Charitable remainder annuity trust	1,091,324	-	-	1,091,324
Beneficial interest in assets held by a foundation	2,059,431	-	-	2,059,431

See independent accountant's review report.

CAT ADOPTION TEAM  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
December 31, 2019

14. FAIR VALUE MEASUREMENTS, Continued

Fair value of investments in equity securities, mutual and exchange funds is determined by reference to quoted market prices and other relevant information generated by market transactions. Fair value for investments in corporate bonds are provided by custodians and are based on pricing models that incorporate available trade, bid and other market information.

Fair value for the contribution receivable from charitable remainder trusts is determined using an income approach by calculating the present value of the future distributions to be received using published life expectancy tables and discount rate of 3%.

Fair value for the beneficial interest in assets held by a foundation is determined using an income approach by multiplying the total fair value of the trust's assets by the Organization's percentage share as stated in the foundation document.

Assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3 inputs):

	<u>2019</u>	<u>2018</u>
Charitable remainder annuity trust:		
Balance at beginning of year	\$ 1,091,324	\$ 1,255,964
Distributions to Cat Adoption Team	(65,478)	(65,478)
Change in value of split-interest agreement - with donor restrictions	<u>243,718</u>	<u>(99,162)</u>
Balance at end of year	<u>\$ 1,269,564</u>	<u>\$ 1,091,324</u>
Beneficial interest in assets held by a foundation:		
Balance at beginning of year	\$ 2,059,431	\$ 2,273,124
Distributions to Cat Adoption Team	(110,450)	(112,608)
Change in value of split-interest agreement - with donor restrictions	<u>417,863</u>	<u>(101,085)</u>
Balance at end of year	<u>\$ 2,366,844</u>	<u>\$ 2,059,431</u>

See independent accountant's review report.

CAT ADOPTION TEAM  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
December 31, 2019

15. SUBSEQUENT EVENTS

CAT has evaluated all subsequent events through April 17, 2020, the date the financial Statements were available to be issued.

CAT has been negatively impacted by the effects of the world-wide COVID-19 pandemic, including the United States and global markets experiencing significant declines in value as well as having limited ability to offer mission based programs that generate revenue. CAT is closely monitoring its operations, liquidity, and capital resources and is actively working to minimize the current and future impact of this unprecedented situation. As of the date of issuance of these financial statements, the full impact to the Organization's financial position is not known.

See independent accountant's review report.