

# CAT ADOPTION TEAM

Reviewed Financial Statements

For the Year Ended December 31, 2020



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, 2020, 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 2019 financial statements and based on our report dated April 17, 2020, 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 Jacobson, P.C.*

Portland, Oregon  
March 19, 2021

CAT ADOPTION TEAM  
STATEMENT OF FINANCIAL POSITION  
December 31, 2020  
(With comparative totals for 2019)

ASSETS	<u>2020</u>	<u>2019</u>
Current Assets:		
Cash and cash equivalents	\$ 123,009	\$ 232,057
Pledges and accounts receivable	115,191	86,450
Prepaid expenses	27,584	22,829
Inventory	<u>83,599</u>	<u>86,888</u>
Total current assets	349,383	428,224
Investments	3,052,924	2,110,009
Deposits and other assets	18,159	25,997
Charitable remainder annuity trust	1,318,717	1,269,564
Beneficial interest in assets held by a foundation	2,656,980	2,366,844
Property and equipment, net	<u>1,700,733</u>	<u>1,788,432</u>
 TOTAL ASSETS	 <u><u>\$ 9,096,896</u></u>	 <u><u>\$ 7,989,070</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 35,454	\$ 56,599
Accrued payroll and vacation	74,456	94,298
Refundable advance - Paycheck Protection Program	321,224	-
Note payable, current portion	<u>35,963</u>	<u>34,548</u>
Total current liabilities	467,097	185,445
Deferred rent	2,678	3,225
Note payable, less current portion	<u>425,701</u>	<u>461,296</u>
Total liabilities	<u>895,476</u>	<u>649,966</u>
Net Assets:		
Without donor restrictions:		
Undesignated	2,294,133	2,241,653
Net property and equipment	<u>1,239,069</u>	<u>1,292,588</u>
Total without donor restrictions	3,533,202	3,534,241
With donor restrictions	<u>4,668,218</u>	<u>3,804,863</u>
Total net assets	<u>8,201,420</u>	<u>7,339,104</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u><u>\$ 9,096,896</u></u>	 <u><u>\$ 7,989,070</u></u>

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

**CAT ADOPTION TEAM**  
**STATEMENT OF ACTIVITIES**  
For the year ended December 31, 2020  
(With comparative totals for 2019)

	2020			2019 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
<b>Support and revenue:</b>				
Contributions and grants	\$ 876,931	\$ 683,807	\$ 1,560,738	\$ 1,305,385
Special event revenue, net of direct costs of \$19,679 for 2020 and \$55,661 for 2019	159,560	-	159,560	160,807
Program service revenue	425,351	-	425,351	588,380
Donated materials and services	163,817	-	163,817	183,561
Retail sales, less cost of sales of \$34,386 for 2020 and \$70,565 for 2019	37,686	-	37,686	68,671
Interest and dividend income	39,121	-	39,121	48,485
Change in value of investments	147,754	-	147,754	211,648
Rental income, net of property taxes	64,553	-	64,553	79,313
Change in value of:				
Charitable remainder annuity trust	-	114,631	114,631	243,718
Beneficial interest in assets held by a foundation	-	405,974	405,974	417,863
Net assets released from restrictions:				
Satisfaction of purpose and time restrictions	341,057	(341,057)	-	-
	<u>2,255,830</u>	<u>863,355</u>	<u>3,119,185</u>	<u>3,307,831</u>
<b>Thrift Store:</b>				
Sales of donated merchandise	169,188	-	169,188	278,300
Donated goods for thrift store	165,705	-	165,705	282,295
Less inventory sold	(169,188)	-	(169,188)	(278,300)
Net thrift store	<u>165,705</u>	<u>-</u>	<u>165,705</u>	<u>282,295</u>
Total support and revenue	<u>2,421,535</u>	<u>863,355</u>	<u>3,284,890</u>	<u>3,590,126</u>
<b>Expenses:</b>				
Animal services	1,861,786	-	1,861,786	1,847,222
Thrift store	200,675	-	200,675	227,645
Management and general	139,979	-	139,979	127,088
Fundraising	220,134	-	220,134	211,668
Total expenses	<u>2,422,574</u>	<u>-</u>	<u>2,422,574</u>	<u>2,413,623</u>
Change in net assets	(1,039)	863,355	862,316	1,176,503
<b>Net assets:</b>				
Beginning of year	<u>3,534,241</u>	<u>3,804,863</u>	<u>7,339,104</u>	<u>6,162,601</u>
End of year	<u>\$ 3,533,202</u>	<u>\$ 4,668,218</u>	<u>\$ 8,201,420</u>	<u>\$ 7,339,104</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, 2020  
(With comparative totals for 2019)

	Animal Services	Thrift Store	Management and General	Fund - Raising	Total	2019
Salaries and related costs	\$ 1,241,270	\$ 129,344	\$ 72,133	\$ 137,422	\$ 1,580,169	\$ 1,496,961
Professional fees	42,374	1,188	45,840	6,011	95,413	90,787
Supplies	272,437	5,974	244	158	278,813	336,820
Medical services	22,994	-	-	-	22,994	21,137
Grants to others	37,500	-	-	-	37,500	34,500
Equipment and maintenance	33,766	2,329	-	-	36,095	27,910
Utilities and telephone	47,104	9,395	535	-	57,034	57,327
Printing, postage and shipping	11,517	132	2	40,434	52,085	49,862
Insurance	21,564	-	3,805	-	25,369	18,835
Meetings and trainings	23,111	99	-	203	23,413	43,791
Advertising, marketing and outreach	3,489	2,504	-	3,903	9,896	26,512
Depreciation	81,675	908	4,537	3,630	90,750	88,621
Interest expense	18,686	3	3,259	14	21,962	21,293
Rent	-	43,503	-	-	43,503	43,877
Other operating expenses	4,299	5,296	28,735	48,038	86,368	129,692
Cost of good sold	34,386	169,188	-	-	203,574	348,865
	<u>1,896,172</u>	<u>369,863</u>	<u>159,090</u>	<u>239,813</u>	<u>2,664,938</u>	<u>2,836,790</u>
Less property taxes reported with rental income	-	-	(19,111)	-	(19,111)	(18,641)
Less direct benefit costs of special event	-	-	-	(19,679)	(19,679)	(55,661)
Cost of sales netted with revenue	<u>(34,386)</u>	<u>(169,188)</u>	<u>-</u>	<u>-</u>	<u>(203,574)</u>	<u>(348,865)</u>
Total expenses	<u>\$ 1,861,786</u>	<u>\$ 200,675</u>	<u>\$ 139,979</u>	<u>\$ 220,134</u>	<u>\$ 2,422,574</u>	<u>\$ 2,413,623</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, 2020  
(With comparative totals for 2019)

	<u>2020</u>	<u>2019</u>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 862,316	\$ 1,176,503
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	90,750	88,621
Change in value of investments	(147,754)	(211,648)
Change in value of charitable remainder annuity trust	(114,631)	(243,718)
Change in value of beneficial interest in assets held by a foundation	(405,974)	(417,863)
(Increase) decrease in:		
Pledges and accounts receivable	(28,741)	(5,218)
Prepaid expenses	(4,755)	(4,925)
Inventory and other assets	11,127	(4,008)
Increase (decrease) in:		
Accounts payable and accrued expenses	(21,145)	21,765
Accrued payroll and vacation	(19,842)	13,044
Refundable advance - Paycheck Protection Program	321,224	-
Deferred rent	(547)	108
Net cash flows from operating activities	<u>542,028</u>	<u>412,661</u>
<b>Cash flows from investing activities:</b>		
Purchase of property and equipment	(3,051)	(31,051)
Proceeds from the sale of investments	2,243,693	1,769,398
Purchase of investments	(3,038,854)	(2,193,843)
Distribution from charitable remainder annuity trust	65,478	65,478
Distribution from beneficial interest in assets	115,838	110,450
Net cash flows from investing activities	<u>(616,896)</u>	<u>(279,568)</u>
<b>Cash flows from financing activities:</b>		
Principal payments on note payable	<u>(34,180)</u>	<u>(32,870)</u>
Net cash flows from financing activities	<u>(34,180)</u>	<u>(32,870)</u>
Net change in cash and cash equivalents	(109,048)	100,223
Cash and cash equivalents - beginning of year	<u>232,057</u>	<u>131,834</u>
Cash and cash equivalents - end of year	<u>\$ 123,009</u>	<u>\$ 232,057</u>
<b>Supplemental cash flow information:</b>		
Cash paid during the year for interest	<u>\$ 21,610</u>	<u>\$ 20,941</u>

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

CAT ADOPTION TEAM  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2020

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, 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 2020, CAT found homes for 2,690 cats and kittens from its shelter, offsite adoption centers and foster homes. During most of the year, adoptions were conducted via a virtual process with a contactless pick-up due to the COVID-19 pandemic. 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 adult cats for medical or behavioral rehabilitation and as an alternative to shelter housing. In 2020, CAT's volunteer foster homes cared for 1,063 kittens and 249 adults (including 63 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 2020, CAT performed 1,684 surgeries as part of Spay & Save (offered by several Animal Shelter Alliance of Portland partners)

See independent accountant's review report.



CAT ADOPTION TEAM  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
December 31, 2020

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 to keep or care for their own cat or trying to re-home a cat. Part of the Helpline, the Keeping Cats in Homes program provides one-time financial assistance with veterinary bills or other expenses for cat owners experiencing financial hardship. The goal of the CAT Helpline 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 94.9% 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, 2020

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.

Refundable Advance – Paycheck Protection Program

The Paycheck Protection Program (PPP) loan guaranteed by the Small Business Administration (SBA) is accounted for as a conditional advance and accrues interest at 1%. The advance may be forgiven partially or in its entirety if certain conditions are met, including incurrence of allowable qualifying expenses (mostly personnel and occupancy costs) and acceptance and approval of the forgiveness application by the lender. Upon satisfaction of the conditions, the advance will be recognized as revenue.

See independent accountant's review report.

CAT ADOPTION TEAM  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
December 31, 2020

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 \$157,500 and \$175,500 for 2020 and 2019, respectively. Donated goods for sale in the thrift store totaled approximately \$166,000 and \$282,000 for 2020 and 2019, 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 \$6,300 and \$8,000 of in-kind services related to fundraising and promotion were recorded for 2020 and 2019, respectively.

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, 2020

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 \$6,800 and \$24,300 for 2020 and 2019, 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.

Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

Summarized Financial Information for 2019

The financial information as of December 31, 2019 and for the year then ended is presented for comparative purposes and is not intended to be a complete financial statement presentation.

Subsequent Events

CAT has evaluated all subsequent events through March 19, 2021, the date the financial Statements were available to be issued.

See independent accountant's review report.

CAT ADOPTION TEAM  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
December 31, 2020

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:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 123,009	\$ 232,057
Pledges and accounts receivable	115,191	86,450
Investments - cash	366,542	587,320
Investments - other	<u>2,686,382</u>	<u>1,522,689</u>
	3,291,124	2,428,516
Less amounts unavailable for general expenditure:		
Net assets with donor restrictions	<u>692,521</u>	<u>168,455</u>
Financial assets available for general expenditure	<u>\$ 2,598,603</u>	<u>\$ 2,260,061</u>

Additionally, the Organization receives annual distributions from split interest agreements totaling approximately \$181,300 and \$176,000 in 2020 and 2019, respectively, and anticipates similar distributions in 2021.

3. PLEDGES AND ACCOUNTS RECEIVABLE

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

	<u>2020</u>	<u>2019</u>
Pledges receivable within one year	\$ 103,174	\$ 82,443
Accounts receivable - program fees	2,368	4,007
Other	<u>9,649</u>	<u>-</u>
Total pledges and accounts receivable	<u>\$ 115,191</u>	<u>\$ 86,450</u>

See independent accountant's review report.

CAT ADOPTION TEAM  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
December 31, 2020

4. INVENTORY

Inventory consists of the following at December 31:

	2020	2019
Pet food and supplies	\$ 37,112	\$ 33,898
Thrift store goods	46,487	52,990
Total inventory	\$ 83,599	\$ 86,888

5. INVESTMENTS

Investments consists of the following at December 31:

	2020	2019
Cash - bank deposits	\$ 366,542	\$ 587,320
Certificate of deposit	-	100,439
Equity securities	121,490	82,375
Fixed income securities	778,983	388,327
Mutual and exchange traded funds	1,785,909	951,548
Total investments	\$ 3,052,924	\$ 2,110,009

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 \$1,318,717 and \$1,269,564 at December 31, 2020 and 2019, respectively.

See independent accountant's review report.

CAT ADOPTION TEAM  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
December 31, 2020

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

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 \$2,656,980 and \$2,366,844 at December 31, 2020 and 2019, respectively.

7. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31:

	<u>2020</u>	<u>2019</u>
Land	\$ 600,000	\$ 600,000
Building and improvements	1,539,320	1,538,403
Furniture and equipment	<u>420,137</u>	<u>418,003</u>
	2,559,457	2,556,406
Less accumulated depreciation	<u>858,724</u>	<u>767,974</u>
Property and equipment, net	<u>\$ 1,700,733</u>	<u>\$ 1,788,432</u>

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:

	<u>2020</u>	<u>2019</u>
Current portion	\$ 35,963	\$ 34,548
Long-term portion	<u>425,701</u>	<u>461,296</u>
Total note payable	<u>\$ 461,664</u>	<u>\$ 495,844</u>

See independent accountant's review report.

CAT ADOPTION TEAM  
 NOTES TO FINANCIAL STATEMENTS, CONTINUED  
 December 31, 2020

8. NOTE PAYABLE, Continued

Maturities of the note payable are as follows:

Year ending December 31, 2021	\$ 35,963
2022	37,436
2023	38,969
2024	40,565
2025	42,226
Thereafter	<u>266,505</u>
	<u>\$ 461,664</u>

9. NET ASSETS WITH DONOR RESTRICTIONS

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

	2020	2019
Aleece Runge Fund for Senior Cats	\$ 621,307	\$ -
Relocation program	48,950	50,000
Adoption preparation	21,429	-
Food bank	835	1,455
Fostering 4 Rock Stars training program	-	60,000
Fostering and offsite adoption	-	57,000
Charitable remainder annuity trust	1,318,717	1,269,564
Beneficial interest in assets held by a foundation	<u>2,656,980</u>	<u>2,366,844</u>
Total net assets with expiring donor restrictions	<u>\$ 4,668,218</u>	<u>\$ 3,804,863</u>

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CAT ADOPTION TEAM  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
December 31, 2020

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 statement of financial position. There were no advances or deposits (contract liabilities) at either December 31, 2020 or 2019.

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:	<u>2020</u>	<u>2019</u>
Milestone based:		
Animal services	\$ 425,351	\$ 588,380
Retail and thrift store sales	<u>241,260</u>	<u>417,536</u>
Total contract revenue	<u>\$ 666,611</u>	<u>\$ 1,005,916</u>

The beginning and ending contract balances are as follows:

	<u>December 31,</u>		
	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contract assets:			
Accounts receivable, animal services	<u>\$ 2,368</u>	<u>\$ 4,007</u>	<u>\$ 2,382</u>

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.

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 \$4,225 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 \$2,678 and \$3,225 at December 31, 2020 and 2019, respectively.

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CAT ADOPTION TEAM  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
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12. OPERATING LEASE COMMITMENTS, Continued

Lease expense of approximately \$43,500 was recognized for the years ended 2020 and 2019. Future minimum payments are as follows:

Year ending December 31, 2021	\$	51,400
2022		<u>12,900</u>
	\$	<u>64,300</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 \$6,146 and \$13,462 at December 31, 2020 and 2019, respectively. Lease income totaled approximately \$78,000 for 2020 and 2019. Future minimum rental income under the operating lease for 2021 is approximately \$36,000.

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.

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.

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CAT ADOPTION TEAM  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
December 31, 2020

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, 2020 and 2019 are as follows:

	Fair Value	Level 1	Level 2	Level 3
<u>December 31, 2020</u>				
Investments:				
Equity securities	\$ 121,490	\$ 121,490	\$ -	\$ -
Corporate bonds	778,983	-	778,983	-
Mutual and exchange traded funds	1,785,909	1,785,909	-	-
Charitable remainder annuity trust	1,318,717	-	-	1,318,717
Beneficial interest in assets held by a foundation	2,656,980	-	-	2,656,980
<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

See independent accountant's review report.

CAT ADOPTION TEAM  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
December 31, 2020

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>2020</u>	<u>2019</u>
Charitable remainder annuity trust:		
Balance at beginning of year	\$ 1,269,564	\$ 1,091,324
Distributions to CAT	(65,478)	(65,478)
Change in value	<u>114,631</u>	<u>243,718</u>
Balance at end of year	<u>\$ 1,318,717</u>	<u>\$ 1,269,564</u>
 Beneficial interest in assets held by a foundation:		
Balance at beginning of year	\$ 2,366,844	\$ 2,059,431
Distributions to CAT	(115,838)	(110,450)
Change in value	<u>405,974</u>	<u>417,863</u>
Balance at end of year	<u>\$ 2,656,980</u>	<u>\$ 2,366,844</u>

15. UNCERTAINTY

CAT has been negatively impacted by the effects of the world-wide COVID-19 pandemic, including 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 including utilizing available assistance programs such as the Paycheck Protection Program and the Employee Retention Tax Credit. 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.