

# CAT ADOPTION TEAM

Reviewed Financial Statements

For the Year Ended December 31, 2021



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, 2021, 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.

We are required to be independent of Cat Adoption Team and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our review.

### *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 2020 financial statements and based on our report dated March 19, 2021, 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  
March 21, 2022

CAT ADOPTION TEAM  
STATEMENT OF FINANCIAL POSITION  
December 31, 2021  
(With comparative totals for 2020)

ASSETS		
	2021	2020
Current Assets:		
Cash and cash equivalents	\$ 344,840	\$ 123,009
Pledges and accounts receivable	137,665	115,191
Prepaid expenses	51,378	27,584
Inventory	72,327	83,599
Total current assets	606,210	349,383
Investments	3,101,158	3,052,924
Deposits and other assets	16,810	18,159
Charitable remainder annuity trust	1,447,167	1,318,717
Beneficial interest in assets held by a foundation	2,967,963	2,656,980
Property and equipment, net	1,824,910	1,700,733
TOTAL ASSETS	\$ 9,964,218	\$ 9,096,896
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 52,188	\$ 35,454
Accrued payroll and vacation	90,094	74,456
Refundable advance - Paycheck Protection Program	-	321,224
Note payable, current portion	37,436	35,963
Total current liabilities	179,718	467,097
Deferred rent	1,942	2,678
Note payable, less current portion	388,573	425,701
Total liabilities	570,233	895,476
Net Assets:		
Without donor restrictions:		
Undesignated	2,914,673	2,294,133
Net property and equipment	1,398,901	1,239,069
Total without donor restrictions	4,313,574	3,533,202
With donor restrictions	5,080,411	4,668,218
Total net assets	9,393,985	8,201,420
TOTAL LIABILITIES AND NET ASSETS	\$ 9,964,218	\$ 9,096,896

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

**CAT ADOPTION TEAM**  
**STATEMENT OF ACTIVITIES**  
For the year ended December 31, 2021  
(With comparative totals for 2020)

	2021			2020 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
<b>Support and revenue:</b>				
Contributions and grants	\$ 870,084	\$ 79,000	\$ 949,084	\$ 1,560,738
Special event revenue, net of direct costs of \$25,104 for 2021 and \$19,679 for 2020	139,698	-	139,698	159,560
Program service revenue	541,545	-	541,545	425,351
Donated materials and services	120,919	-	120,919	163,817
Retail sales, less cost of sales of \$36,175 for 2021 and \$34,386 for 2020	41,581	-	41,581	37,686
Interest and dividend income	44,312	-	44,312	39,121
Change in value of investments	204,613	-	204,613	147,754
Rental income, net of property taxes	76,096	-	76,096	64,553
Change in value of:				
Charitable remainder annuity trust	-	193,928	193,928	114,631
Beneficial interest in assets held by a foundation	-	441,974	441,974	405,974
Net assets released from restrictions:				
Satisfaction of purpose and time restrictions	302,709	(302,709)	-	-
	<u>2,341,557</u>	<u>412,193</u>	<u>2,753,750</u>	<u>3,119,185</u>
<b>Thrift Store:</b>				
Sales of donated merchandise	281,321	-	281,321	169,188
Donated goods for thrift store	274,284	-	274,284	165,705
Less inventory sold	(281,321)	-	(281,321)	(169,188)
Net thrift store	<u>274,284</u>	<u>-</u>	<u>274,284</u>	<u>165,705</u>
Total support and revenue	<u>2,615,841</u>	<u>412,193</u>	<u>3,028,034</u>	<u>3,284,890</u>
<b>Expenses:</b>				
Animal services	1,939,451	-	1,939,451	1,861,786
Thrift store	249,295	-	249,295	200,675
Management and general	154,757	-	154,757	139,979
Fundraising	238,246	-	238,246	220,134
Total expenses	<u>2,581,749</u>	<u>-</u>	<u>2,581,749</u>	<u>2,422,574</u>
Change in net assets from operations	34,092	412,193	446,285	862,316
Government grants - Pandemic relief	746,280	-	746,280	-
Change in net assets	780,372	412,193	1,192,565	862,316
<b>Net assets:</b>				
Beginning of year	3,533,202	4,668,218	8,201,420	7,339,104
End of year	<u>\$ 4,313,574</u>	<u>\$ 5,080,411</u>	<u>\$ 9,393,985</u>	<u>\$ 8,201,420</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, 2021  
(With comparative totals for 2020)

	Animal Services	Thrift Store	Management and General	Fund - Raising	Total	2020
Salaries and related costs	\$ 1,335,460	\$ 167,292	\$ 78,342	\$ 152,102	\$ 1,733,196	\$ 1,580,169
Professional fees	44,628	5,172	52,290	4,591	106,681	95,413
Supplies	260,689	5,838	131	1,381	268,039	278,813
Medical services	23,411	-	-	-	23,411	22,994
Grants to others	-	-	-	-	-	37,500
Equipment and maintenance	23,556	628	-	-	24,184	36,095
Utilities and telephone	53,873	12,075	485	-	66,433	57,034
Printing, postage and shipping	19,583	740	8	49,301	69,632	52,085
Insurance	24,250	-	4,279	-	28,529	25,369
Meetings and trainings	26,634	108	-	124	26,866	23,413
Advertising, marketing and outreach	5,148	419	-	380	5,947	9,896
Depreciation	85,487	950	4,749	3,799	94,985	90,750
Interest expense	15,750	4	2,741	14	18,509	21,962
Rent	-	43,578	-	-	43,578	43,503
Other operating expenses	20,982	12,491	31,189	51,658	116,320	86,368
Cost of good sold	<u>36,175</u>	<u>281,321</u>	<u>-</u>	<u>-</u>	<u>317,496</u>	<u>203,574</u>
	1,975,626	530,616	174,214	263,350	2,943,806	2,664,938
Less property taxes reported with rental income	-	-	(19,457)	-	(19,457)	(19,111)
Less direct benefit costs of special event	-	-	-	(25,104)	(25,104)	(19,679)
Cost of sales netted with revenue	<u>(36,175)</u>	<u>(281,321)</u>	<u>-</u>	<u>-</u>	<u>(317,496)</u>	<u>(203,574)</u>
Total expenses	<u>\$ 1,939,451</u>	<u>\$ 249,295</u>	<u>\$ 154,757</u>	<u>\$ 238,246</u>	<u>\$ 2,581,749</u>	<u>\$ 2,422,574</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, 2021  
(With comparative totals for 2020)

	2021	2020
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 1,192,565	\$ 862,316
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	94,985	90,750
Change in value of investments	(204,613)	(147,754)
Change in value of charitable remainder annuity trust	(193,928)	(114,631)
Change in value of beneficial interest in assets held by a foundation	(441,974)	(405,974)
(Increase) decrease in:		
Pledges and accounts receivable	(22,474)	(28,741)
Prepaid expenses	(23,794)	(4,755)
Inventory and other assets	12,621	11,127
Increase (decrease) in:		
Accounts payable and accrued expenses	16,734	(21,145)
Accrued payroll and vacation	15,638	(19,842)
Refundable advance - Paycheck Protection Program	(321,224)	321,224
Deferred rent	(736)	(547)
Net cash flows from operating activities	123,800	542,028
<b>Cash flows from investing activities:</b>		
Purchase of property and equipment	(219,162)	(3,051)
Proceeds from the sale of investments	1,323,924	2,243,693
Purchase of investments	(1,167,545)	(3,038,854)
Distribution from charitable remainder annuity trust	65,478	65,478
Distribution from beneficial interest in assets	130,991	115,838
Net cash flows from investing activities	133,686	(616,896)
<b>Cash flows from financing activities:</b>		
Principal payments on note payable	(35,655)	(34,180)
Net cash flows from financing activities	(35,655)	(34,180)
Net change in cash and cash equivalents	221,831	(109,048)
Cash and cash equivalents - beginning of year	123,009	232,057
Cash and cash equivalents - end of year	\$ 344,840	\$ 123,009
<b>Supplemental cash flow information:</b>		
Cash paid during the year for interest	\$ 18,156	\$ 21,610

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

CAT ADOPTION TEAM  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2021

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 84% 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 2021, CAT found homes for 2,882 cats and kittens from its shelter, offsite adoption centers and foster homes. For much of the year, adoptions were conducted via a virtual process with a contactless pick-up due to the COVID-19 pandemic. In August, CAT shifted to a hybrid adoption model with both virtual and in-person, appointment-based, adoptions available. 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 2021, CAT's volunteer foster homes cared for 1,018 kittens and 335 adults (including 86 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 2021, CAT performed 1,035 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, 2021

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. Short-term emergency boarding is also available for cat owners who are temporarily unable to house their cats. 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 approximately 95% 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, 2021

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. The Organization received a PPP loan of \$321,224 during 2020 and a second loan of \$301,347 during 2021. Conditions for both loans were satisfied during 2021 and \$622,571 was recognized as grant revenue.

See independent accountant's review report.

CAT ADOPTION TEAM  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
December 31, 2021

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.

**Special Events:** The Organization records special events revenue at the time the event takes place. Revenue may include the fair value of direct benefits received by donors, and contribution income.

**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 \$116,300 and \$157,500 for 2021 and 2020, respectively. Donated goods for sale in the thrift store totaled approximately \$274,000 and \$166,000 for 2021 and 2020, 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 \$4,600 and \$6,300 of in-kind services related to fundraising and promotion were recorded for 2021 and 2020, 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, 2021

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

Revenue Recognition, Continued

**Employee Retention Credit:** The Coronavirus Aid, Relief, and Economic Security Act provided an employee retention credit (the credit) which is a refundable tax credit against certain employment taxes of up to \$5,000 per employee for eligible employers. The credit is equal to 50% of qualified wages paid to employees, capped at \$10,000 of qualified wages through December 31, 2020. The Consolidated Appropriations Act of 2021 and the American Rescue Plan Act of 2021 expanded the availability of the credit, extended the credit through September 30, 2021, and increased the credit to 70% of qualified wages, capped at \$7,000 per quarter. During the year ended December 31, 2021, the Organization recognized \$123,709 of credits as government grants.

Management anticipates that additional amounts will be received under this program. The Organization will recognize additional credits when the amounts are approved by the Internal Revenue Service, a barrier to receiving payment that management believes is more than administrative.

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.

Unemployment Insurance

The Organization is self-insured for unemployment and makes periodic payments to a trust company in an amount equal to estimated future claims. Deposits to the trust are recorded as prepaid expenses. Unemployment claims paid reduce the trust asset and are expensed. Unpaid claims outstanding at year-end represent a liability of the Organization.

See independent accountant's review report.

CAT ADOPTION TEAM  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
December 31, 2021

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

Advertising Costs

CAT uses advertising to promote its programs and services. Advertising costs are expensed as incurred and approximated \$5,900 and \$6,800 for 2021 and 2020, 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.

Summarized Financial Information for 2020

The financial information as of December 31, 2020 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 21, 2022, the date the financial Statements were available to be issued.

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>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 344,840	\$ 123,009
Pledges and accounts receivable	137,665	115,191
Investments - cash	5,853	366,542
Investments - other	<u>3,095,305</u>	<u>2,686,382</u>
	3,583,663	3,291,124
Less amounts unavailable for general expenditure:		
Net assets with donor restrictions	<u>665,281</u>	<u>692,521</u>
Financial assets available for general expenditure	<u>\$ 2,918,382</u>	<u>\$ 2,598,603</u>

See independent accountant's review report.

CAT ADOPTION TEAM  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
December 31, 2021

2. AVAILABILITY OF RESOURCES AND LIQUIDITY MANAGEMENT, Continued

Additionally, the Organization received annual distributions from split interest agreements totaling approximately \$196,400 and \$181,300 in 2021 and 2020, respectively, and anticipates similar distributions in 2022.

3. PLEDGES AND ACCOUNTS RECEIVABLE

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

	<u>2021</u>	<u>2020</u>
Pledges receivable within one year	\$ 118,374	\$ 103,174
Accounts receivable - program fees	2,235	2,368
Other	<u>17,056</u>	<u>9,649</u>
Total pledges and accounts receivable	<u>\$ 137,665</u>	<u>\$ 115,191</u>

4. INVENTORY

Inventory consists of the following at December 31:

	<u>2021</u>	<u>2020</u>
Pet food and supplies	\$ 32,877	\$ 37,112
Thrift store goods	<u>39,450</u>	<u>46,487</u>
Total inventory	<u>\$ 72,327</u>	<u>\$ 83,599</u>

5. INVESTMENTS

Investments consists of the following at December 31:

	<u>2021</u>	<u>2020</u>
Cash - bank deposits	\$ 5,853	\$ 366,542
Equity securities	150,080	121,490
Corporate bonds	868,006	778,983
Mutual and exchange traded funds	<u>2,077,219</u>	<u>1,785,909</u>
Total investments	<u>\$ 3,101,158</u>	<u>\$ 3,052,924</u>

See independent accountant's review report.

CAT ADOPTION TEAM  
 NOTES TO FINANCIAL STATEMENTS, CONTINUED  
 December 31, 2021

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 \$1,447,167 and \$1,318,717 at December 31, 2021 and 2020, 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 \$2,967,963 and \$2,656,980 at December 31, 2021 and 2020, respectively.

7. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31:

	2021	2020
Land	\$ 600,000	\$ 600,000
Building and improvements	1,755,052	1,539,320
Furniture and equipment	423,567	420,137
	2,778,619	2,559,457
Less accumulated depreciation	953,709	858,724
Property and equipment, net	\$ 1,824,910	\$ 1,700,733

See independent accountant's review report.

CAT ADOPTION TEAM  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
December 31, 2021

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>2021</u>	<u>2020</u>
Current portion	\$ 37,436	\$ 35,963
Long-term portion	<u>388,573</u>	<u>425,701</u>
Total note payable	<u>\$ 426,009</u>	<u>\$ 461,664</u>

Maturities of the note payable are as follows:

Year ending December 31, 2022	\$ 37,436
2023	38,969
2024	40,565
2025	42,226
2026	43,955
Thereafter	<u>222,858</u>
	<u>\$ 426,009</u>

9. NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2021</u>	<u>2020</u>
Alece Runge Fund for Senior Cats	\$ 591,046	\$ 621,307
Relocation program	28,400	48,950
Adoption preparation	25,000	21,429
Food bank	835	835
Fostering 4 Rock Stars training program	20,000	-
Charitable remainder annuity trust	1,447,167	1,318,717
Beneficial interest in assets held by a foundation	<u>2,967,963</u>	<u>2,656,980</u>
Total net assets with expiring donor restrictions	<u>\$ 5,080,411</u>	<u>\$ 4,668,218</u>

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December 31, 2021

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, 2021 or 2020.

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>2021</u>	<u>2020</u>
Milestone based:		
Animal services	\$ 541,545	\$ 425,351
Retail and thrift store sales	<u>359,077</u>	<u>241,260</u>
Total contract revenue	<u>\$ 900,622</u>	<u>\$ 666,611</u>

The beginning and ending contract balances are as follows:

	<u>December 31,</u>		
	<u>2021</u>	<u>2020</u>	<u>2019</u>
Contract assets:			
Accounts receivable, animal services	<u>\$ 2,235</u>	<u>\$ 2,368</u>	<u>\$ 4,007</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.

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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 \$4,300. The total lease is expensed over the term of the lease on a straight-line basis, with deferred rent totaling \$1,942 and \$2,678 at December 31, 2021 and 2020, respectively. At the date of the report, management is in the process of negotiating and renewing the lease.

Lease expense of approximately \$43,600 was recognized for the years ended 2021 and 2020. Future minimum payments are \$12,900.

CAT leases its owned warehouse space to an unrelated party under a noncancelable operating lease with a five-year term through July 2026. 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 \$5,000 and \$6,146 at December 31, 2021 and 2020, respectively. Lease income totaled approximately \$95,500 and \$78,000 for 2021 and 2020, respectively. Future minimum rental income under the operating lease is as follows:

Year ending December 31, 2022	\$	102,700
2023		108,700
2024		114,700
2025		120,700
2026		<u>72,500</u>
	\$	<u>519,300</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.

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, 2021

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, 2021 and 2020 are as follows:

	Fair Value	Level 1	Level 2	Level 3
<u>December 31, 2021</u>				
Investments:				
Equity securities	\$ 150,080	\$ 150,080	\$ -	\$ -
Corporate bonds	868,006	-	868,006	-
Mutual and exchange traded funds	2,077,219	2,077,219	-	-
Charitable remainder annuity trust	1,447,167	-	-	1,447,167
Beneficial interest in assets held by a foundation	2,967,963	-	-	2,967,963
<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

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CAT ADOPTION TEAM  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
December 31, 2021

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>2021</u>	<u>2020</u>
Charitable remainder annuity trust:		
Balance at beginning of year	\$ 1,318,717	\$ 1,269,564
Distributions to CAT	(65,478)	(65,478)
Change in value	193,928	114,631
Balance at end of year	<u>\$ 1,447,167</u>	<u>\$ 1,318,717</u>
 Beneficial interest in assets held by a foundation:		
Balance at beginning of year	\$ 2,656,980	\$ 2,366,844
Distributions to CAT	(130,991)	(115,838)
Change in value	441,974	405,974
Balance at end of year	<u>\$ 2,967,963</u>	<u>\$ 2,656,980</u>

15. UNCERTAINTY

CAT has been 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.