

CAT ADOPTION TEAM

Reviewed Financial Statements

For the Year Ended December 31, 2022



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 (a nonprofit organization), which comprise the statement of financial position as of December 31, 2022, 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 entity 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 AICPA. 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 accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

The comparative information as of and for the year ended December 31, 2021 is presented for the purpose of additional analysis and is not a required part of the December 31, 2021 financial statements. The comparative information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statements. We previously reviewed the 2021 financial statements, and we expressed an unmodified conclusion on those financial statements in our report dated March 21, 2022. The comparative financial information was subjected to the review procedures applied in our review of the 2021 financial statements and we are not aware of any material modifications that should be made to the comparative information for it to be consistent with the reviewed financial statements from which it has been derived. We have not audited the comparative information and do not express an opinion on such information.

McDonald Jacobson, P.C.

Portland, Oregon
April 13, 2023

CAT ADOPTION TEAM
STATEMENT OF FINANCIAL POSITION
December 31, 2022
(With comparative totals for 2021)

ASSETS		2022	2021
Current Assets:			
Cash and cash equivalents	\$	59,953	\$ 344,840
Pledges and accounts receivable		124,774	137,665
Prepaid expenses		54,562	51,378
Inventory		87,312	72,327
Total current assets		326,601	606,210
Investments		3,355,152	3,101,158
Deposits and other assets		26,850	16,810
Operating lease right-of-use assets		245,767	-
Charitable remainder annuity trust		1,190,844	1,447,167
Beneficial interest in assets held by a foundation		2,438,162	2,967,963
Property and equipment, net		1,733,769	1,824,910
TOTAL ASSETS	\$	9,317,145	\$ 9,964,218
LIABILITIES AND NET ASSETS			
Current Liabilities:			
Accounts payable and accrued expenses	\$	45,759	\$ 52,188
Accrued payroll and vacation		86,824	90,094
Current portion of operating lease liabilities		54,915	-
Note payable, current portion		38,969	37,436
Total current liabilities		226,467	179,718
Deferred rent		-	1,942
Operating lease liabilities		191,887	-
Note payable, less current portion		349,905	388,573
Total liabilities		768,259	570,233
Net Assets:			
Without donor restrictions:			
Undesignated		3,006,131	2,914,673
Net property and equipment		1,344,895	1,398,901
Total without donor restrictions		4,351,026	4,313,574
With donor restrictions		4,197,860	5,080,411
Total net assets		8,548,886	9,393,985
TOTAL LIABILITIES AND NET ASSETS	\$	9,317,145	\$ 9,964,218

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

CAT ADOPTION TEAM
STATEMENT OF ACTIVITIES
For the year ended December 31, 2022
(With comparative totals for 2021)

	2022			2021 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
Support and revenue:				
Contributions and grants	\$ 1,273,734	\$ 57,000	\$ 1,330,734	\$ 949,084
Special event revenue, net of direct costs of \$32,189 for 2022 and \$25,104 for 2021	170,440	-	170,440	139,698
Program service revenue	616,703	-	616,703	541,545
Donated materials and services	136,473	-	136,473	120,919
Retail sales, less cost of sales of \$52,689 for 2022 and \$36,175 for 2021	51,230	-	51,230	41,581
Interest and dividend income	59,087	-	59,087	44,312
Change in value of investments	(372,911)	-	(372,911)	204,613
Rental income, net of property taxes	92,452	-	92,452	76,096
Change in value of:				
Charitable remainder annuity trust	-	(190,845)	(190,845)	193,928
Beneficial interest in assets held by a foundation	-	(387,759)	(387,759)	441,974
Net assets released from restrictions:				
Satisfaction of purpose and time restrictions	360,947	(360,947)	-	-
	<u>2,388,155</u>	<u>(882,551)</u>	<u>1,505,604</u>	<u>2,753,750</u>
Thrift Store:				
Sales of donated merchandise	310,471	-	310,471	281,321
Donated goods for thrift store	317,765	-	317,765	274,284
Less inventory sold	(310,471)	-	(310,471)	(281,321)
Net thrift store	<u>317,765</u>	<u>-</u>	<u>317,765</u>	<u>274,284</u>
Total support and revenue	<u>2,705,920</u>	<u>(882,551)</u>	<u>1,823,369</u>	<u>3,028,034</u>
Expenses:				
Animal services	2,262,121	-	2,262,121	1,939,451
Thrift store	265,600	-	265,600	249,295
Management and general	157,761	-	157,761	154,757
Fundraising	250,732	-	250,732	238,246
Total expenses	<u>2,936,214</u>	<u>-</u>	<u>2,936,214</u>	<u>2,581,749</u>
Change in net assets from operations	(230,294)	(882,551)	(1,112,845)	446,285
Government grants - Pandemic relief	<u>267,746</u>	<u>-</u>	<u>267,746</u>	<u>746,280</u>
Change in net assets	37,452	(882,551)	(845,099)	1,192,565
Net assets:				
Beginning of year	<u>4,313,574</u>	<u>5,080,411</u>	<u>9,393,985</u>	<u>8,201,420</u>
End of year	<u>\$ 4,351,026</u>	<u>\$ 4,197,860</u>	<u>\$ 8,548,886</u>	<u>\$ 9,393,985</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, 2022
(With comparative totals for 2021)

	2022				Total	2021
	Animal Services	Thrift Store	Management and General	Fund - Raising		
Salaries and related costs	\$ 1,545,617	\$ 179,925	\$ 73,051	\$ 160,028	\$ 1,958,621	\$ 1,733,196
Professional fees	66,891	513	59,418	3,790	130,612	106,681
Supplies	328,095	5,280	-	463	333,838	268,039
Medical services	28,861	-	-	-	28,861	23,411
Equipment and maintenance	13,582	4,470	-	-	18,052	24,184
Utilities and telephone	58,128	12,752	404	-	71,284	66,433
Printing, postage and shipping	21,790	192	28	48,712	70,722	69,632
Insurance	28,325	-	4,999	-	33,324	28,529
Meetings and trainings	31,431	-	-	358	31,789	26,866
Advertising, marketing and outreach	8,503	2,713	-	492	11,708	5,947
Depreciation	90,472	1,005	5,026	4,021	100,524	94,985
Interest expense	14,492	3	2,519	14	17,028	18,509
Rent	-	43,709	-	-	43,709	43,578
Other operating expenses	25,934	15,038	32,064	65,043	138,079	116,320
Cost of good sold	52,689	310,471	-	-	363,160	317,496
	<u>2,314,810</u>	<u>576,071</u>	<u>177,509</u>	<u>282,921</u>	<u>3,351,311</u>	<u>2,943,806</u>
Less property taxes reported with rental income	-	-	(19,748)	-	(19,748)	(19,457)
Less direct benefit costs of special event	-	-	-	(32,189)	(32,189)	(25,104)
Cost of sales netted with revenue	<u>(52,689)</u>	<u>(310,471)</u>	<u>-</u>	<u>-</u>	<u>(363,160)</u>	<u>(317,496)</u>
Total expenses	<u>\$ 2,262,121</u>	<u>\$ 265,600</u>	<u>\$ 157,761</u>	<u>\$ 250,732</u>	<u>\$ 2,936,214</u>	<u>\$ 2,581,749</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, 2022
(With comparative totals for 2021)

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Change in net assets	\$ (845,099)	\$ 1,192,565
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	100,524	94,985
Change in value of investments	372,911	(204,613)
Change in value of charitable remainder annuity trust	190,845	(193,928)
Change in value of beneficial interest in assets held by a foundation	387,759	(441,974)
(Increase) decrease in:		
Pledges and accounts receivable	12,891	(22,474)
Prepaid expenses	(3,184)	(23,794)
Inventory and deposits and other assets	(25,025)	12,621
Increase (decrease) in:		
Accounts payable and accrued expenses	(6,429)	16,734
Accrued payroll and vacation	(3,270)	15,638
Net operating right-of-use assets and lease liabilities	1,035	-
Refundable advance - Paycheck Protection Program	-	(321,224)
Deferred rent	(1,942)	(736)
Net cash flows from operating activities	<u>181,016</u>	<u>123,800</u>
Cash flows from investing activities:		
Purchase of property and equipment	(9,383)	(219,162)
Proceeds from the sale of investments	1,186,294	1,323,924
Purchase of investments	(1,813,199)	(1,167,545)
Distribution from charitable remainder annuity trust	65,478	65,478
Distribution from beneficial interest in assets	142,042	130,991
Net cash flows from investing activities	<u>(428,768)</u>	<u>133,686</u>
Cash flows from financing activities:		
Principal payments on note payable	(37,135)	(35,655)
Net cash flows from financing activities	<u>(37,135)</u>	<u>(35,655)</u>
Net change in cash and cash equivalents	(284,887)	221,831
Cash and cash equivalents - beginning of year	<u>344,840</u>	<u>123,009</u>
Cash and cash equivalents - end of year	<u>\$ 59,953</u>	<u>\$ 344,840</u>

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

CAT ADOPTION TEAM
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

1. 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. Most cats (74%) taken in by CAT come from 50-60 shelter and rescue partners through CAT's 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 2022, CAT found homes for 3,192 cats and kittens from its shelter, offsite adoption centers and foster homes. Adoptable cats and kittens are available for viewing at catadoptionteam.org, PetFinder.com and 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 2022, CAT's volunteer foster homes cared for 925 kittens and 230 adults (including 78 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 2022, CAT performed 1,028 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, 2022

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.

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 greater Portland metro area from 49% 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.

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.

Alece Runge Fund for Senior Cats: Thanks to a generous planned gift, CAT offers several special programs and services for cats age eight and over through the Alece Runge Fund for Senior Cats. The Fund helps cover extra pre-adoption health screening, in-house medical care, post-adoption veterinary support, and financial assistance to help community members keep and care for their senior cats.

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.

See independent accountant's review report.

CAT ADOPTION TEAM
NOTES TO FINANCIAL STATEMENTS, CONTINUED
December 31, 2022

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

Net Assets, Continued

- *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.

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.

Leases

The Organization determines if an arrangement is or contains a lease at inception. Under FASB ASC 842, *Leases*, a contract is (or contains) a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is defined under the standard as having both the right to obtain substantially all of the economic benefits from use of the asset and the right to direct the use of the asset. Management only reassesses its determination if the terms and conditions of the contract are changed.

See independent accountant's review report.

CAT ADOPTION TEAM
NOTES TO FINANCIAL STATEMENTS, CONTINUED
December 31, 2022

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

Leases, Continued

Leases are included in right-of-use (ROU) assets and lease liabilities in the statement of financial position. ROU assets represent the Organization's right to use an underlying asset for the lease term, and lease liabilities represent the Organization's obligation to make lease payments. Operating lease ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. The Organization has made an accounting policy election to use a risk-free rate in lieu of its incremental borrowing rate to discount future lease payments. Lease expense for lease payments is recognized on a straight-line basis over the lease term. The Organization's lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise the option.

The Organization does not report ROU assets and leases liabilities for its short-term leases (leases with a term of 12 months or less). Instead, the lease payments of those leases are reported as lease expense on a straight-line basis over the lease term.

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.

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.

See independent accountant's review report.

CAT ADOPTION TEAM
NOTES TO FINANCIAL STATEMENTS, CONTINUED
December 31, 2022

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

Revenue Recognition, Continued

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 8 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.

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.

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 advances were 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.

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. The Organization recognized \$267,746 and \$123,709 of credits as government grants during the years ending December 31, 2022 and December 31, 2021, respectively.

See independent accountant's review report.

CAT ADOPTION TEAM
NOTES TO FINANCIAL STATEMENTS, CONTINUED
December 31, 2022

1. 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 740 *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.

Advertising Costs

CAT uses advertising to promote its programs and services. Advertising costs are expensed as incurred and approximated \$10,800 and \$5,900 for 2022 and 2021, 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 2021

The financial information as of December 31, 2021 and for the year then ended is presented for comparative purposes and is not intended to be a complete financial statement presentation.

See independent accountant's review report.

CAT ADOPTION TEAM
NOTES TO FINANCIAL STATEMENTS, CONTINUED
December 31, 2022

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

New Accounting Standards

Effective January 1, 2022, the Organization adopted Accounting Standards Update (ASU) No. 2016-02, *Leases*, which requires lessees to recognize leases on the statement of financial position and disclose key information about leasing arrangements. The Organization elected not to restate the comparative period (2021). It also elected not to reassess at adoption (i) expired or existing contracts to determine whether they are or contain a lease, (ii) the lease classification of any existing leases, or (iii) initial direct costs for existing leases. As a result of implementing ASU No. 2016-02, the Organization recognized right-of-use assets and lease liabilities totaling \$288,539 in its statement of financial position as of the date leases began during 2022. The adoption did not result in a significant effect on amounts reported in the statement of activities for the year ended December 31, 2022.

The Organization has implemented Accounting Standards Update 2020-07, *Presentation and Disclosures by Non-Profit Entities for Contributed Nonfinancial Assets* (ASU 2020-07) for the year ended December 31, 2022 on a retrospective basis. The standard provides new presentation and disclosure requirements about contributed nonfinancial assets, including additional disclosure requirements for recognized contributed services. The amendments do not change the recognition and measurement requirements. There was no material impact on the Organization's financial position and change in net assets upon adoption.

Subsequent Events

CAT has evaluated all subsequent events through April 13, 2023, 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, 2022

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 available for general expenditure consist of the following at December 31:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 59,953	\$ 344,840
Pledges and accounts receivable	124,774	137,665
Investments - cash	766,833	5,853
Investments - other	<u>2,588,319</u>	<u>3,095,305</u>
	3,539,879	3,583,663
Less amounts unavailable for general expenditure:		
Net assets with donor restrictions	<u>568,854</u>	<u>665,281</u>
Financial assets available for general expenditure	<u>\$ 2,971,025</u>	<u>\$ 2,918,382</u>

Additionally, the Organization received annual distributions from split interest agreements totaling approximately \$207,500 and \$196,400 in 2022 and 2021, respectively, and anticipates similar distributions in 2023.

3. PLEDGES AND ACCOUNTS RECEIVABLE

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

	<u>2022</u>	<u>2021</u>
Pledges receivable within one year	\$ 109,823	\$ 118,374
Accounts receivable - program fees	-	2,235
Other	<u>14,951</u>	<u>17,056</u>
Total pledges and accounts receivable	<u>\$ 124,774</u>	<u>\$ 137,665</u>

See independent accountant's review report.

CAT ADOPTION TEAM
NOTES TO FINANCIAL STATEMENTS, CONTINUED
December 31, 2022

4. INVENTORY

Inventory consists of the following at December 31:

	2022	2021
Pet food and supplies	\$ 42,382	\$ 32,877
Thrift store goods	44,930	39,450
Total inventory	\$ 87,312	\$ 72,327

5. INVESTMENTS

Investments consists of the following at December 31:

	2022	2021
Cash - bank deposits	\$ 766,833	\$ 5,853
Money market fund	212,326	-
Equity securities	152,081	150,080
Corporate bonds	863,536	868,006
Mutual and exchange traded funds	1,360,376	2,077,219
Total investments	\$ 3,355,152	\$ 3,101,158

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 measurable. 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 \$1,190,844 and \$1,447,167 at December 31, 2022 and 2021, respectively.

See independent accountant's review report.

CAT ADOPTION TEAM
NOTES TO FINANCIAL STATEMENTS, CONTINUED
December 31, 2022

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 \$2,438,162 and \$2,967,963 at December 31, 2022 and 2021, respectively.

7. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31:

	2022	2021
Land	\$ 600,000	\$ 600,000
Building and improvements	1,755,052	1,755,052
Furniture and equipment	432,950	423,567
	<u>2,788,002</u>	<u>2,778,619</u>
Less accumulated depreciation	1,054,233	953,709
Property and equipment, net	<u>\$ 1,733,769</u>	<u>\$ 1,824,910</u>

8. OPERATING LEASES

The Organization evaluated current contracts to determine which met the criteria of a lease. The ROU assets represent the Organization's right to use underlying assets for the lease term, and the lease liabilities represent the Organization's obligation to make lease payments arising from these leases. The ROU assets and lease liabilities, all of which arise from operating leases, were calculated based on the present value of future lease payments over the lease terms.

The Organization's operating leases consist of leases for thrift store space and equipment with remaining lease terms of approximately four years.

The thrift store lease term includes a one-year extension, available at the Organization's option, which it is reasonably certain to exercise. Therefore, the payments associated with the extension are included in the ROU asset and the lease liability recognized.

See independent accountant's review report.

CAT ADOPTION TEAM
NOTES TO FINANCIAL STATEMENTS, CONTINUED
December 31, 2022

8. OPERATING LEASES, Continued

The Organization also had thrift store and equipment leases expiring in 2022 which are treated as short-term leases.

The following summarizes the line items in the statement of financial positions which include amounts for the operating leases as of December 31, 2022:

Operating leases:	
Right-of-use-assets	<u>\$ 245,767</u>
Lease liability-current portion	\$ 54,915
Noncurrent lease liability	<u>191,887</u>
Total operating lease liability	<u>\$ 246,802</u>

The weighted-average remaining lease term for the Organization's operating leases is approximately 4.23 years as of December 31, 2022. The weighted-average discount rate applied to calculate lease liabilities as of December 31, 2022 is 2.45%.

The maturities of operating lease liabilities as of December 31, 2022 are as follows:

Year ending December 31, 2023	\$ 60,354
2024	60,954
2025	61,779
2025	62,679
2025	<u>14,442</u>
	260,208
Less discount/interest	<u>(13,406)</u>
Present value of lease liabilities	<u>\$ 246,802</u>

For the year ended December 31, 2022, total operating lease costs and total short-term lease costs were approximately \$45,800 and \$12,900, respectively, and are included in rent and equipment and maintenance expense in the accompanying statement of functional expenses. See Note 16 for supplemental cash flow information.

Rent expense under FASB ASC Topic 840, *Leases*, (pre-adoption of the new standards) for operating leases totaled \$43,600 for the year ended December 31, 2021. The aggregate future minimum lease payments under those operating leases as of December 31, 2021, were \$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 \$14,500 and \$5,000 at December 31, 2022 and 2021, respectively. Lease income totaled approximately \$112,200 and \$95,500 for 2022 and 2021, respectively.

See independent accountant's review report.

CAT ADOPTION TEAM
NOTES TO FINANCIAL STATEMENTS, CONTINUED
December 31, 2022

8. OPERATING LEASES, Continued

Future minimum rental income under the operating lease is as follows:

Year ending December 31, 2023	\$ 108,700
2024	114,700
2025	120,700
2026	<u>72,500</u>
	<u>\$ 416,600</u>

9. 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:

	2022	2021
Current portion	\$ 38,969	\$ 37,436
Long-term portion	<u>349,905</u>	<u>388,573</u>
Total note payable	<u>\$ 388,874</u>	<u>\$ 426,009</u>

Maturities of the note payable are as follows:

Year ending December 31, 2023	\$ 38,969
2024	40,565
2025	42,226
2026	43,955
2027	45,755
Thereafter	<u>177,404</u>
	<u>\$ 388,874</u>

See independent accountant's review report.

CAT ADOPTION TEAM
NOTES TO FINANCIAL STATEMENTS, CONTINUED
December 31, 2022

10. NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2022</u>	<u>2021</u>
Aleece Runge Fund for Senior Cats	\$ 568,019	\$ 591,046
Relocation program	-	28,400
Adoption preparation	-	25,000
Food bank	835	835
Fostering 4 Rock Stars training program	-	20,000
Charitable remainder annuity trust	1,190,844	1,447,167
Beneficial interest in assets held by a foundation	<u>2,438,162</u>	<u>2,967,963</u>
Total net assets with expiring donor restrictions	<u>\$ 4,197,860</u>	<u>\$ 5,080,411</u>

11. 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, 2022 or 2021.

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>2022</u>	<u>2021</u>
Milestone based:		
Animal services	\$ 616,703	\$ 541,545
Retail and thrift store sales	<u>414,390</u>	<u>359,077</u>
Total contract revenue	<u>\$ 1,031,093</u>	<u>\$ 900,622</u>

See independent accountant's review report.

CAT ADOPTION TEAM
NOTES TO FINANCIAL STATEMENTS, CONTINUED
December 31, 2022

II. REVENUE FROM CONTRACTS WITH CUSTOMERS, Continued

The beginning and ending contract balances are as follows:

	December 31,		
	2022	2021	2020
Contract assets:			
Accounts receivable, animal services	\$ -	\$ 2,235	\$ 2,368

12. CONTRIBUTED NONFINANCIAL ASSETS

The Organization received the following contributions of nonfinancial assets for the years ended December 31:

	2022	2021
Cat food and other supplies	\$ 131,711	\$ 116,310
Legal and professional services, included in management and general	4,762	4,609
	136,473	120,919
Goods for sale in thrift store	317,765	274,284
Total donated materials and services	\$ 454,238	\$ 395,203

The Organization received supplies, primarily cat food, for use for programs. Donated supplies are recorded at fair value and are used to support programs and operations. Fair value is based on the current cost to acquire the supplies and the sales price of comparable supplies.

All inventory for the thrift store is donated by the public. Goods for sale in the thrift store are recorded at the price the item is marked to sale. Items that are donated but not placed up for sale are not recorded.

The Organization received contributed professional services related to management and general. These services are used to support programs and operations. Contributed professional services are recorded at their estimated fair value using current market rates from similar vendors and comparable professionals.

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, 2022

13. RETIREMENT PLAN

CAT has a 403(b) retirement plan and all part-time and full-time CAT employees are eligible to participate. Employees may make elective deferrals to the plan up to the allowable amounts imposed by law. Beginning fall of 2022, employees are eligible to participate upon hire and CAT matches employee contributions up to 3% of eligible salaries. Matching contributions totaled \$7,380 during the year ended December 31, 2022. Prior to fall of 2022, employees were eligible to participate in the plan upon completing their 90-day introductory period and CAT did not match funds deposited into 403(b) accounts and, therefore, no retirement contribution expense is recognized in the accompanying financial statements for the year ended December 31, 2021.

14. 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.

15. 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.

See independent accountant's review report.

CAT ADOPTION TEAM
NOTES TO FINANCIAL STATEMENTS, CONTINUED
December 31, 2022

15. FAIR VALUE MEASUREMENTS, Continued

Fair values of assets measured on a recurring basis at December 31, 2022 and 2021 are as follows:

	Fair Value	Level 1	Level 2	Level 3
<u>December 31, 2022</u>				
Investments:				
Money market fund	\$ 212,326	\$ 212,326	\$ -	\$ -
Equity securities	152,081	152,081	-	-
Corporate bonds	863,536	-	863,536	-
Mutual and exchange traded funds	1,360,376	1,360,376	-	-
Charitable remainder annuity trust	1,190,844	-	-	1,190,844
Beneficial interest in assets held by a foundation	2,438,162	-	-	2,438,162
<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

Fair value of investments in money market, 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 charitable remainder annuity trust 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.

See independent accountant's review report.

CAT ADOPTION TEAM
NOTES TO FINANCIAL STATEMENTS, CONTINUED
December 31, 2022

15. FAIR VALUE MEASUREMENTS, Continued

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

	<u>2022</u>	<u>2021</u>
Charitable remainder annuity trust:		
Balance at beginning of year	\$ 1,447,167	\$ 1,318,717
Distributions to CAT	(65,478)	(65,478)
Change in value	<u>(190,845)</u>	<u>193,928</u>
Balance at end of year	<u>\$ 1,190,844</u>	<u>\$ 1,447,167</u>
Beneficial interest in assets held by a foundation:		
Balance at beginning of year	\$ 2,967,963	\$ 2,656,980
Distributions to CAT	(142,042)	(130,991)
Change in value	<u>(387,759)</u>	<u>441,974</u>
Balance at end of year	<u>\$ 2,438,162</u>	<u>\$ 2,967,963</u>

16. SUPPLEMENTAL CASH FLOW INFORMATION

	<u>2022</u>	<u>2021</u>
Cash paid during the year for:		
Interest	\$ 16,676	\$ 18,156
Operating leases	46,212	-
Non-cash investing and financing activity:		
Obtaining right-of-use assets in exchange for lease liabilities	\$ 288,539	\$ -

See independent accountant's review report.