

# CAT ADOPTION TEAM

*Audited Financial Statements*

For the Year Ended December 31, 2023



MCDONALD JACOBS

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Cat Adoption Team

### Opinion

We have audited the accompanying financial statements of Cat Adoption Team (a nonprofit organization), which comprise the statement of financial position as of December 31, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Cat Adoption Team as of December 31, 2023, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of Cat Adoption Team and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Cat Adoption Team's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Cat Adoption Team's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Cat Adoption Team's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

**Report on Summarized Comparative Information**

We have previously reviewed Cat Adoption Team's 2022 financial statements, and in our report thereon, dated April 13, 2023, stated we were not aware of any material modifications that should be made to those statements for them to be in conformity with generally accepted accounting principles. However, a review is substantially less in scope than an audit and does not provide a basis for the expression of an opinion in the financial statements taken as a whole.

*McDonald Jacobson, P.C.*

Portland, Oregon

April 24, 2024

CAT ADOPTION TEAM  
STATEMENT OF FINANCIAL POSITION  
December 31, 2023  
(With comparative totals for 2022)

ASSETS	(Audited) <u>2023</u>	(Reviewed) <u>2022</u>
Current Assets:		
Cash and cash equivalents	\$ 203,585	\$ 59,953
Pledges and accounts receivable	421,594	124,774
Prepaid expenses	58,274	54,562
Inventory	<u>97,807</u>	<u>87,312</u>
Total current assets	781,260	326,601
Investments	3,787,645	3,355,152
Deposits and other assets	29,278	26,850
Operating lease right-of-use assets	190,022	245,767
Charitable remainder annuity trust	1,277,280	1,190,844
Beneficial interest in assets held by a foundation	2,710,752	2,438,162
Property and equipment, net	<u>1,712,740</u>	<u>1,733,769</u>
TOTAL ASSETS	<u>\$ 10,488,977</u>	<u>\$ 9,317,145</u>

LIABILITIES AND NET ASSETS

Current Liabilities:		
Accounts payable and accrued expenses	\$ 305,760	\$ 45,759
Accrued payroll and vacation	105,038	86,824
Current portion of operating lease liabilities	56,868	54,915
Note payable, current portion	<u>40,565</u>	<u>38,969</u>
Total current liabilities	508,231	226,467
Operating lease liabilities	135,019	191,887
Note payable, less current portion	<u>309,631</u>	<u>349,905</u>
Total liabilities	<u>952,881</u>	<u>768,259</u>
Net Assets:		
Without donor restrictions:		
Undesignated	3,616,219	3,006,131
Net property and equipment	<u>1,362,544</u>	<u>1,344,895</u>
Total without donor restrictions	4,978,763	4,351,026
With donor restrictions	<u>4,557,333</u>	<u>4,197,860</u>
Total net assets	<u>9,536,096</u>	<u>8,548,886</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 10,488,977</u>	<u>\$ 9,317,145</u>

See notes to financial statements.

**CAT ADOPTION TEAM**  
**STATEMENT OF ACTIVITIES**  
For the year ended December 31, 2023  
(With comparative totals for 2022)

	2023 (Audited)			(Reviewed)
	Without Donor Restrictions	With Donor Restrictions	Total	2022 Total
<b>Support and revenue:</b>				
Contributions and grants	\$ 1,714,020	\$ 45,142	\$ 1,759,162	\$ 1,330,734
Special event revenue, net of direct costs of \$88,889 for 2023 (in-person) and \$32,189 for 2022 (virtual)	236,645	-	236,645	170,440
Program service revenue	707,704	-	707,704	616,703
Donated materials and services	90,233	-	90,233	136,473
Retail sales, less cost of sales of \$62,986 for 2023 and \$52,689 for 2022	53,216	-	53,216	51,230
Interest and dividend income	107,417	-	107,417	59,087
Change in value of investments	311,565	-	311,565	(372,911)
Rental income, net of property taxes	96,728	-	96,728	92,452
Change in value of:				
Charitable remainder annuity trust	-	151,914	151,914	(190,845)
Beneficial interest in assets held by a foundation	-	414,634	414,634	(387,759)
Net assets released from restrictions:				
Satisfaction of purpose and time restrictions	252,217	(252,217)	-	-
	3,569,745	359,473	3,929,218	1,505,604
<b>Thrift Store:</b>				
Sales of donated merchandise	345,598	-	345,598	310,471
Donated goods for thrift store	350,558	-	350,558	317,765
Less inventory sold	(345,598)	-	(345,598)	(310,471)
Net thrift store	350,558	-	350,558	317,765
Total support and revenue	3,920,303	359,473	4,279,776	1,823,369
<b>Expenses:</b>				
Animal services	2,557,156	-	2,557,156	2,262,121
Thrift store	309,258	-	309,258	265,600
Management and general	174,233	-	174,233	157,761
Fundraising	284,628	-	284,628	250,732
Total expenses	3,325,275	-	3,325,275	2,936,214
Change in net assets from operations	595,028	359,473	954,501	(1,112,845)
Government grants - Pandemic relief	32,709	-	32,709	267,746
Change in net assets	627,737	359,473	987,210	(845,099)
<b>Net assets:</b>				
Beginning of year	4,351,026	4,197,860	8,548,886	9,393,985
End of year	\$ 4,978,763	\$ 4,557,333	\$ 9,536,096	\$ 8,548,886

See notes to financial statements.

**CAT ADOPTION TEAM**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
For the year ended December 31, 2023  
(With comparative totals for 2022)

	<u>2023 (Audited)</u>					(Reviewed)
	<u>Animal Services</u>	<u>Thrift Store</u>	<u>Management and General</u>	<u>Fund - Raising</u>	<u>Total</u>	<u>2022 Total</u>
Salaries and related costs	\$ 1,821,133	\$ 220,504	\$ 87,018	\$ 171,674	\$ 2,300,329	\$ 1,958,621
Professional fees	57,588	1,827	61,300	8,476	129,191	130,612
Supplies	313,160	5,648	-	494	319,302	333,838
Medical services and direct program costs	67,180	-	-	-	67,180	28,861
Equipment and maintenance	21,814	2,501	-	-	24,315	18,052
Utilities and telephone	56,159	12,637	3,780	3,024	75,600	71,284
Printing, postage and shipping	26,991	712	-	66,726	94,429	70,722
Insurance	34,884	388	3,488	-	38,760	33,324
Meetings and trainings	15,422	164	-	859	16,445	31,789
Advertising, marketing and outreach	11,386	3,000	-	200	14,586	11,708
Depreciation	85,928	955	4,774	3,818	95,475	100,524
Interest expense	15,451	3	18	14	15,486	17,028
Rent	-	45,663	-	-	45,663	43,709
Other operating expenses	30,060	15,256	34,902	118,232	198,450	138,079
Cost of good sold	62,986	345,598	-	-	408,584	363,160
Total expense by function	<u>2,620,142</u>	<u>654,856</u>	<u>195,280</u>	<u>373,517</u>	<u>3,843,795</u>	<u>3,351,311</u>
Less property taxes reported with rental income	-	-	(21,047)	-	(21,047)	(19,748)
Less direct benefit costs of special event	-	-	-	(88,889)	(88,889)	(32,189)
Cost of sales netted with revenue	<u>(62,986)</u>	<u>(345,598)</u>	<u>-</u>	<u>-</u>	<u>(408,584)</u>	<u>(363,160)</u>
Total expenses	<u>\$ 2,557,156</u>	<u>\$ 309,258</u>	<u>\$ 174,233</u>	<u>\$ 284,628</u>	<u>\$ 3,325,275</u>	<u>\$ 2,936,214</u>

See notes to financial statements.

CAT ADOPTION TEAM  
STATEMENT OF CASH FLOWS  
For the year ended December 31, 2023  
(With comparative totals for 2022)

	<u>(Audited)</u> 2023	<u>(Reviewed)</u> 2022
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 987,210	\$ (845,099)
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	95,475	100,524
Amortization of operating lease right-of-use assets	55,745	42,772
Change in value of investments	(311,565)	372,911
Change in value of charitable remainder annuity trust	(151,914)	190,845
Change in value of beneficial interest in assets held by a foundation	(414,634)	387,759
(Increase) decrease in:		
Pledges and accounts receivable	(296,820)	12,891
Prepaid expenses	(3,712)	(3,184)
Inventory, and deposits and other assets	(12,923)	(25,025)
Increase (decrease) in:		
Accounts payable and accrued expenses	260,001	(8,371)
Accrued payroll and vacation	18,214	(3,270)
Operating lease liabilities	(54,915)	(41,737)
Net cash flows from operating activities	<u>170,162</u>	<u>181,016</u>
<b>Cash flows from investing activities:</b>		
Purchase of property and equipment	(74,446)	(9,383)
Proceeds from the sale of investments	1,754,530	1,186,294
Purchase of investments	(1,875,458)	(1,813,199)
Distribution from charitable remainder annuity trust	65,478	65,478
Distribution from beneficial interest in assets	<u>142,044</u>	<u>142,042</u>
Net cash flows from investing activities	<u>12,148</u>	<u>(428,768)</u>
<b>Cash flows from financing activities:</b>		
Principal payments on note payable	<u>(38,678)</u>	<u>(37,135)</u>
Net cash flows from financing activities	<u>(38,678)</u>	<u>(37,135)</u>
Net change in cash and cash equivalents	143,632	(284,887)
Cash and cash equivalents - beginning of year	<u>59,953</u>	<u>344,840</u>
Cash and cash equivalents - end of year	<u>\$ 203,585</u>	<u>\$ 59,953</u>

See notes to financial statements.



CAT ADOPTION TEAM  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2023

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; rental income, 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 (72%) taken in by CAT come from 35-45 shelter and rescue partners through CAT's Nine Lives Transfer Program. CAT offers enrichment, behavior modification, full-service veterinary care and a variety of housing options to meet the individual needs of the cats and kittens in its care.

**Adoption:** In 2023, CAT found homes for 3,182 cats and kittens from its shelter, offsite adoption centers and foster homes. 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, surgery, and 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 foster program provides care for kittens and cats who need extra support (neonatal care, medical treatment, socialization, etc.) and/or special housing while preparing for or awaiting adoption. CAT's kitten foster program is nationally recognized and modeled. In 2023, CAT's volunteer foster homes cared for 838 kittens and 166 adults (including 48 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 low income or on public assistance. In 2023, CAT performed 1,206 surgeries as part of Spay & Save (offered by several Animal Shelter Alliance of Portland partners)

CAT ADOPTION TEAM  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
December 31, 2023

1. 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. 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.

**Aleece 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 Aleece 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.

CAT ADOPTION TEAM  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
December 31, 2023

I. 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 from program services are reported at the amount management expects to collect on balances outstanding at year-end. Based on an assessment of the credit history with those having outstanding balances, current relationships with them, and management's expectations about current and future economic conditions, management has concluded that credit losses on accounts receivable 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.

CAT ADOPTION TEAM  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
December 31, 2023

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. Purchased property and equipment 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.

CAT ADOPTION TEAM  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
December 31, 2023

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

Revenue Recognition, Continued

**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. 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.

**Employee Retention Credit:** The Employee Retention Credit (ERC), a credit against certain payroll taxes allowed to an eligible employer for qualifying wages, was established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act and further amended by the Consolidated Appropriations Act (CAA) and the American Rescue Plan (ARP). The Organization recognizes the ERC refund claims as revenue when the claims for refunds are filed. The Organization recorded claims for refunds totaling \$214,209 and \$267,746 during 2023 and 2022, respectively. During 2023, the Organization was notified by the Internal Revenue Service that claims filed in 2021 were overpaid by \$181,500 and the Organization has recorded the overpayment in accrued expenses at December 31, 2023. The revenue recognized as government grant revenue in 2023 of \$32,709 is net of the overpayment.

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.

CAT ADOPTION TEAM  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
December 31, 2023

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

Income Tax Status, Continued

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 \$12,100 and \$10,800 for 2023 and 2022, 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 2022

The financial information as of December 31, 2022 and for the year then ended is presented for comparative purposes and is not intended to be a complete financial statement presentation.

CAT ADOPTION TEAM  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
December 31, 2023

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

Adoption of New Accounting Standard

As of January 1, 2023, the Organization adopted Accounting Standards Update (ASU) No. 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* (FASB ASC 326), which replaces the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss (CECL) methodology. The CECL model is applicable to the measurement of credit losses on financial assets measured at amortized cost. Financial assets held by the Organization that are subject to the guidance in FASB ASC 326 include accounts receivable. CECL requires entities to measure all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. This standard provides financial statement users with more decision-useful information about the expected losses on financial instruments.

The Organization adopted this change in accounting principle as of the first day of 2023 using the modified retrospective method. Accordingly, financial information for periods prior to the date of initial application has not been adjusted.

The adoption did not result in a significant effect on amounts reported in the statement of financial position and statement of activities for 2023.

Subsequent Events

CAT has evaluated all subsequent events through April 24, 2024, 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.



CAT ADOPTION TEAM  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
December 31, 2023

2. AVAILABILITY OF RESOURCES AND LIQUIDITY MANAGEMENT, Continued

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

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 203,585	\$ 59,953
Pledges and accounts receivable	421,594	124,774
Investments - cash	182,005	766,833
Investments - other	<u>3,605,640</u>	<u>2,588,319</u>
	4,412,824	3,539,879
Less amounts unavailable for general expenditure:		
Net assets with donor restrictions	<u>569,301</u>	<u>568,854</u>
Financial assets available for general expenditure	<u>\$ 3,843,523</u>	<u>\$ 2,971,025</u>

Additionally, the Organization received annual distributions from split interest agreements totaling approximately \$207,500 during both 2023 and 2022 and anticipates similar distributions in 2024.

3. PLEDGES AND ACCOUNTS RECEIVABLE

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

	<u>2023</u>	<u>2022</u>
Pledges receivable within one year	\$ 421,245	\$ 109,823
Other	<u>349</u>	<u>14,951</u>
Total pledges and accounts receivable	<u>\$ 421,594</u>	<u>\$ 124,774</u>

4. INVENTORY

Inventory consists of the following at December 31:

	<u>2023</u>	<u>2022</u>
Pet food and supplies	\$ 46,598	\$ 42,382
Thrift store goods	<u>51,209</u>	<u>44,930</u>
Total inventory	<u>\$ 97,807</u>	<u>\$ 87,312</u>



CAT ADOPTION TEAM  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
December 31, 2023

5. INVESTMENTS

Investments consists of the following at December 31:

	2023	2022
Cash - bank deposits	\$ 182,005	\$ 766,833
Money market fund	567,473	212,326
Equity securities	506,763	152,081
Corporate bonds	753,342	863,536
U.S. treasury securities	278,644	-
Mutual and exchange traded funds	1,499,418	1,360,376
Total investments	\$ 3,787,645	\$ 3,355,152

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 \$1,277,280 and \$1,190,844 at December 31, 2023 and 2022, 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 \$2,710,752 and \$2,438,162 at December 31, 2023 and 2022, respectively.

CAT ADOPTION TEAM  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
December 31, 2023

7. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31:

	<u>2023</u>	<u>2022</u>
Land	\$ 600,000	\$ 600,000
Building and improvements	1,813,532	1,755,052
Furniture and equipment	<u>276,275</u>	<u>432,950</u>
	2,689,807	2,788,002
Less accumulated depreciation	<u>977,067</u>	<u>1,054,233</u>
Property and equipment, net	<u>\$ 1,712,740</u>	<u>\$ 1,733,769</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 three 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.

The Organization also had thrift store and equipment leases expiring in 2022 which were 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:

	<u>2023</u>	<u>2022</u>
Operating leases:		
Right-of-use-assets	<u>\$ 190,022</u>	<u>\$ 245,767</u>
Lease liabilities-current portion	\$ 56,868	\$ 54,915
Noncurrent lease liabilities	<u>78,151</u>	<u>191,887</u>
Total operating lease liabilities	<u>\$ 135,019</u>	<u>\$ 246,802</u>

CAT ADOPTION TEAM  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
December 31, 2023

8. OPERATING LEASES, Continued

The following summarizes the weighted average remaining lease term and discount rate as of December 31:

	<u>2023</u>	<u>2022</u>
Weighted average remaining lease term	3.23	4.23
Weighted average discount rate	2.45%	2.45%

The maturities of operating lease liabilities as of December 31, 2023 are as follows:

Year ending December 31, 2024	\$ 60,954
2025	61,779
2026	62,679
2027	<u>14,442</u>
	199,854
Less discount/interest	<u>(7,967)</u>
Present value of lease liabilities	<u>\$ 191,887</u>

The following summarizes the line items in the statement of functional expenses included in rent and equipment and maintenance which include the components of lease expense for the years ended December 31:

	<u>2023</u>	<u>2022</u>
Operating lease cost	\$ 61,300	\$ 45,800
Short-term lease cost	<u>-</u>	<u>12,900</u>
Total lease cost	<u>\$ 61,300</u>	<u>\$ 58,700</u>

See Note 16 for supplemental cash flow information.

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 \$18,000 and \$14,500 at December 31, 2023 and 2022, respectively. Lease income totaled approximately \$112,200 in both 2023 and 2022, respectively.

Future annual minimum lease receipts are as follows:

Year ending December 31, 2024	\$ 114,700
2025	120,700
2026	<u>72,450</u>
	<u>\$ 307,850</u>

CAT ADOPTION TEAM  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
December 31, 2023

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 in June 2031.

The balances are as follows at December 31:

	<u>2023</u>	<u>2022</u>
Current portion	\$ 40,565	\$ 38,969
Long-term portion	<u>309,631</u>	<u>349,905</u>
Total note payable	<u>\$ 350,196</u>	<u>\$ 388,874</u>

Maturities of the note payable are as follows:

Year ending December 30, 2024	\$ 40,565
2025	42,226
2026	43,955
2027	45,755
2028	47,628
Thereafter	<u>130,067</u>
	<u>\$ 350,196</u>

10. NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2023</u>	<u>2022</u>
Aleece Runge Fund for Senior Cats	\$ 550,763	\$ 568,019
Food bank	838	835
Laundry and Commissary Equipment	10,000	-
Keeping Cats in Homes	7,700	-
Charitable remainder annuity trust	1,277,280	1,190,844
Beneficial interest in assets held by a foundation	<u>2,710,752</u>	<u>2,438,162</u>
Total net assets with expiring donor restrictions	<u>\$ 4,557,333</u>	<u>\$ 4,197,860</u>

CAT ADOPTION TEAM  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
December 31, 2023

II. 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.

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>2023</u>	<u>2022</u>
Milestone based:		
Animal services	\$ 707,704	\$ 616,703
Retail and thrift store sales	<u>461,800</u>	<u>414,390</u>
Total contract revenue	<u>\$ 1,169,504</u>	<u>\$ 1,031,093</u>

The beginning and ending contract balances are as follows:

	<u>December 31,</u>		
	<u>2023</u>	<u>2022</u>	<u>2021</u>
Contract assets:			
Accounts receivable, animal services	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,235</u>

There are no contract liabilities associated with these revenues at December 31, 2023, 2022 or 2021.

12. CONTRIBUTED NONFINANCIAL ASSETS

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

	<u>2023</u>	<u>2022</u>
Cat food and other supplies	\$ 83,047	\$ 131,711
Professional services, included in management and general	<u>7,186</u>	<u>4,762</u>
	90,233	136,473
Goods for sale in thrift store	<u>350,558</u>	<u>317,765</u>
Total donated materials and services	<u>\$ 440,791</u>	<u>\$ 454,238</u>

CAT ADOPTION TEAM  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
December 31, 2023

12. CONTRIBUTED NONFINANCIAL ASSETS, Continued

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.

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 \$25,644 and \$7,380 during the years ended December 31, 2023 and 2022, respectively.

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.

CAT ADOPTION TEAM  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
December 31, 2023

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.

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, 2023 are as follows:

	Fair Value	Level 1	Level 2	Level 3
Investments:				
Money market fund	\$ 567,473	\$ 567,473	\$ -	\$ -
Equity securities	506,763	506,763	-	-
Corporate bonds	753,342	-	753,342	-
U.S. treasury securities	278,644	278,644	-	-
Mutual and exchange traded funds	1,499,418	1,499,418	-	-
Charitable remainder annuity trust	1,277,280	-	-	1,277,280
Beneficial interest in assets held by a foundation	2,710,752	-	-	2,710,752

CAT ADOPTION TEAM  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
December 31, 2023

15. FAIR VALUE MEASUREMENTS, Continued

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

	<u>Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</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

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.

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

	<u>2023</u>	<u>2022</u>
Charitable remainder annuity trust:		
Balance at beginning of year	\$ 1,190,844	\$ 1,447,167
Distributions to CAT	(65,478)	(65,478)
Change in value	151,914	(190,845)
Balance at end of year	<u>\$ 1,277,280</u>	<u>\$ 1,190,844</u>
Beneficial interest in assets held by a foundation:		
Balance at beginning of year	\$ 2,438,162	\$ 2,967,963
Distributions to CAT	(142,044)	(142,042)
Change in value	414,634	(387,759)
Balance at end of year	<u>\$ 2,710,752</u>	<u>\$ 2,438,162</u>



CAT ADOPTION TEAM  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
December 31, 2023

16. SUPPLEMENTAL CASH FLOW INFORMATION

	<u>2023</u>	<u>2022</u>
Cash paid during the year for:		
Interest	\$ 15,133	\$ 16,676
Operating leases	60,354	46,212
Non-cash investing and financing activity:		
Obtaining right-of-use assets in exchange for lease liabilities	\$ -	\$ 288,539