

CAT CARE SOCIETY

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

TOGETHER WITH INDEPENDENT AUDITORS' REPORT

CAT CARE SOCIETY
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

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Taylor, Roth and Company, PLLC
Certified Public Accountants
working exclusively with nonprofit organizations

January 20, 2017

INDEPENDENT AUDITORS' REPORT

Board of Directors
Cat Care Society
Lakewood, Colorado

We have audited the accompanying financial statements of **Cat Care Society**, (a Colorado nonprofit corporation) which comprise the statement of financial position as of June 30, 2016, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

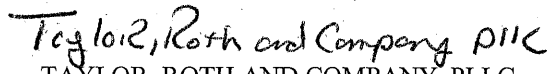
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Cat Care Society as of June 30, 2016, and the changes in its net assets and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Cat Care Society's 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 26, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.


TAYLOR, ROTH AND COMPANY, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

CAT CARE SOCIETY
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2016
(WITH COMPARATIVE TOTALS FOR 2015)

	<u>2016</u>	<u>2015</u>
<u>Assets</u>		
Cash and cash equivalents	\$ 431,830	\$ 311,139
Cash and cash equivalents - temporarily restricted	10,445	-
Accounts receivable	577	2,350
Contributions receivable (Note 3)	77,787	-
Inventory (Note 4)	20,561	13,996
Investments (Note 5)	176,265	77,474
Property and equipment (Note 6)	1,170,417	1,197,235
Beneficial interest of assets held by others (Note 7)	29,325	30,577
	<u>\$ 1,917,207</u>	<u>\$ 1,632,771</u>
 <u>Liabilities and net assets</u>		
<u>Liabilities</u>		
Accounts payable	\$ 24,438	\$ 18,571
Accrued payroll costs	14,161	30,624
Lines of credit (Note 8)	-	-
	<u>38,599</u>	<u>49,195</u>
 <u>Net assets</u>		
<u>Unrestricted</u>		
Operating	668,421	355,764
Net investment in fixed assets	1,170,417	1,197,235
Temporarily restricted (Note 9)	10,445	-
Permanently restricted (Note 7)	29,325	30,577
	<u>1,878,608</u>	<u>1,583,576</u>
Total net assets	<u>\$ 1,917,207</u>	<u>\$ 1,632,771</u>
Total liabilities and net assets	<u>\$ 1,917,207</u>	<u>\$ 1,632,771</u>

The accompanying notes are an integral part of these financial statements

CAT CARE SOCIETY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016
(WITH COMPARATIVE TOTALS FOR 2015)

	2016			2015	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
<u>Revenue and other support</u>					
Bequests	\$ 417,536	\$ -	-	\$ 417,536	\$ 319,122
Contributions	372,808	30,250	-	403,058	324,242
Program service fees	282,673	-	-	282,673	258,028
Special event income	137,520	-	-	137,520	87,220
Less: direct event expenses	(28,112)	-	-	(28,112)	(21,449)
Grants	21,834	-	-	21,834	17,195
Membership	3,960	-	-	3,960	4,835
Investment income (loss)	1,234	-	(652)	582	794
Other	1,729	-	-	1,729	1,109
Net assets released from restrictions (Note 10)	20,405	(19,805)	(600)	-	-
Total revenue and other support	<u>1,231,587</u>	<u>10,445</u>	<u>(1,252)</u>	<u>1,240,780</u>	<u>991,096</u>
<u>Expense</u>					
Program services					
Shelter/Adoption Education	387,917	-	-	387,917	271,689
Veterinary/Clinic	284,937	-	-	284,937	254,385
Total program	672,854	-	-	672,854	526,074
Supporting services					
Management and general	157,419	-	-	157,419	157,365
Fundraising	115,475	-	-	115,475	128,548
Total expense	<u>945,748</u>	<u>-</u>	<u>-</u>	<u>945,748</u>	<u>811,987</u>
Change in net assets	285,839	10,445	(1,252)	295,032	179,109
Net assets, beginning of year	<u>1,552,999</u>	<u>-</u>	<u>30,577</u>	<u>1,583,576</u>	<u>1,404,467</u>
Net assets, end of year	<u>\$ 1,838,838</u>	<u>\$ 10,445</u>	<u>\$ 29,325</u>	<u>\$ 1,878,608</u>	<u>\$ 1,583,576</u>

The accompanying notes are an integral part of these financial statements

CAT CARE SOCIETY

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2016
(WITH COMPARATIVE TOTALS FOR 2015)**

	2016					2015	
	Program Services			Supporting Services		Total	Total
	Shelter/ Adoption/ Education	Veterinary/ Clinic	Total Program	Management and General	Fund- raising		
Salaries	\$ 208,537	\$ 135,641	\$ 344,178	\$ 84,862	\$ 26,623	\$ 455,663	\$ 421,923
Payroll taxes & benefits	20,397	13,198	33,595	8,779	2,629	45,003	51,008
Veterinary services & medication	73,727	40,456	114,183	-	-	114,183	88,000
Contract & professional fees	-	52,082	52,082	15,127	24,928	92,137	48,330
Supplies	7,929	10,963	18,892	1,168	17,945	38,005	12,539
Utilities	9,836	9,836	19,672	2,116	2,161	23,949	26,382
Retail merchandise	6,724	7,228	13,952	-	6,058	20,010	17,149
Publications	-	-	-	-	16,101	16,101	12,811
Employee expenses	3,141	6,325	9,466	6,425	-	15,891	3,127
Insurance	5,292	3,359	8,651	2,728	706	12,085	15,605
Accounting	-	-	-	8,850	-	8,850	8,450
Equipment & software	1,846	-	1,846	3,326	3,492	8,664	7,985
Telephone & internet	2,096	2,096	4,192	2,110	2,156	8,458	7,446
Bank fees	-	-	-	8,140	-	8,140	8,477
Volunteer	-	-	-	6,058	-	6,058	1,201
Dues & subscriptions	20	1,484	1,504	282	3,750	5,536	8,840
Advertising	-	-	-	2,397	1,925	4,322	2,552
Postage	605	310	915	491	2,095	3,501	4,562
Repairs & maintenance	-	-	-	2,025	1,443	3,468	15,073
Taxes & license fees	1,111	1,704	2,815	75	-	2,890	600
Education & training	-	-	-	1,459	-	1,459	765
Conference	-	-	-	-	699	699	655
Legal services	-	-	-	-	-	-	2,535
All other	400	255	655	1,001	2,764	4,420	3,127
	341,661	284,937	626,598	157,419	115,475	899,492	769,142
Depreciation	46,256	-	46,256	-	-	46,256	42,845
Total	\$ 387,917	\$ 284,937	\$ 672,854	\$ 157,419	\$ 115,475	\$ 945,748	\$ 811,987

The accompanying notes are an integral part of these financial statements

CAT CARE SOCIETY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2016
(WITH COMPARATIVE TOTALS FOR 2015)

	<u>2016</u>	<u>2015</u>
<u>Cash flows from operating activities</u>		
Change in net assets	\$ 295,032	\$ 179,109
Adjustments to reconcile change in net assets to net cash provided by operating activities		
(Gains)losses on investments	(818)	(169)
Depreciation	46,256	42,845
<u>Changes in operating assets and liabilities</u>		
(Increase)decrease in accounts receivable	1,773	(1,569)
(Increase)decrease in contributions receivable	(77,787)	-
(Increase)decrease in inventory	(6,565)	(1,936)
Increase(decrease) in accounts payable	5,867	(3,415)
Increase(decrease) in payroll accruals	(16,463)	206
Net cash provided(used) by operating activities	<u>247,295</u>	<u>215,071</u>
<u>Cash flows from investing activities</u>		
(Purchase) of fixed assets	(19,438)	(4,159)
(Additions) of investments	(97,618)	-
(Reinvestment) of earnings	(355)	(48)
Net cash provided(used) by investing activities	<u>(117,411)</u>	<u>(4,207)</u>
<u>Cash flows from financing activities</u>		
(Repayment) on lines of credit	-	(25)
(Additions) to assets held by others	600	(30,000)
(Gains) on assets held by others	996	(479)
(Reinvestment) of earnings on assets held by others	(344)	(98)
Net cash provided(used) by financing activities	<u>1,252</u>	<u>(30,602)</u>
Net increase(decrease) in cash and cash equivalents	131,136	180,262
Cash and cash equivalents, beginning of year	<u>311,139</u>	<u>130,877</u>
Cash and cash equivalents, end of year	<u>\$ 442,275</u>	<u>\$ 311,139</u>

The accompanying notes are an integral part of these financial statements

CAT CARE SOCIETY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 - NATURE OF ACTIVITIES

Cat Care Society (the Organization) is located in Lakewood, Colorado, and was incorporated in 1981 as a nonprofit corporation under the laws of the State of Colorado. The Organization is dedicated to the improvement of the quality of life for abandoned, injured, and abused cats in the metropolitan Denver area. The Organization operates a cage-free shelter, sponsors educational programs to promote public awareness, and actively seeks qualified homes for the cats it receives. In August 2006, the Organization opened its on-site Cat Clinic, which provides veterinary services to all cats entering the shelter. Since February 2007, the Clinic also provides low-cost spays, neuters, and veterinary care to qualifying low-income families on a sliding fee scale. The Organization is funded primarily by contributions and program service fees.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PROCEDURES

1. Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

2. Basis of Presentation

The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

3. Cash and Cash Equivalents

The Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

4. Donations

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities, as net assets released from restrictions.

The Organization reports gifts of land, buildings, and equipment as unrestricted support unless the explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent donor stipulations regarding how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PROCEDURES (Continued)

5. Capitalization and Depreciation

The Organization follows the practice of capitalizing all expenditures for property and equipment in excess of \$500. The fair value of donated assets is similarly capitalized. Depreciation of property and equipment is provided over the estimated useful lives of the respective assets on a straight-line basis.

6. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

7. Income Taxes

The Organization has received an Internal Revenue Service exemption from federal income taxes under Section 501(c)(3). Accordingly, no provision or liability for income taxes has been provided in the accompanying financial statements.

The Organization follows the guidance of FASB codification (ASC) 740-10 and related subsections. The Organization determined that no uncertain tax positions have been taken (or are expected to be taken) that could have a material effect on its income tax liabilities. The Organization believes that it has conducted its operations in accordance with, and has properly maintained, its tax-exempt status.

8. Functional Reporting of Expenses

For the year ended June 30, 2016, the costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

9. Summarized Prior-Year Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2015, from which the summarized information was derived.

10. Fair Value Measurements

The Organization is subject to the provisions of the *Fair Value Measurements and Disclosures* accounting standard. This standard requires use of a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three levels: quoted market prices in active markets for identical assets and liabilities (Level 1); inputs other than quoted market prices that are observable for the asset or liability, either directly or indirectly (Level 2); and unobservable inputs for the asset or liability (Level 3).

11. Subsequent Events

Management has evaluated subsequent events through January 20, 2017, the date the financial statements were available to be issued.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PROCEDURES (Concluded)

12. Reclassifications

Certain reclassifications have been made to the 2015 financial statements to conform to the 2016 presentation.

NOTE 3 - CONTRIBUTIONS RECEIVABLE

During 2016, the Organization received a multi-year commitment from an estate. Management believes an allowance and present value calculations are immaterial to the financial statements. The remaining contribution receivable is to be received as follows:

<u>Fiscal</u> <u>Year to be received</u>	<u>Amount</u>
2017	\$ 10,037
2018	10,037
2019	10,037
2020	10,037
2021 and beyond	<u>37,639</u>
Total	<u>\$ 77,787</u>

NOTE 4 - INVENTORY

At year-end, inventory items held for sale to the public are valued at cost and consisted of:

<u>Description</u>	<u>Amount</u>
Clinic medication	\$ 13,410
Meow Mart merchandise	4,323
Clinic food	2,063
Clinic supplies inventory	<u>765</u>
Total	<u>\$ 20,561</u>

NOTE 5 - INVESTMENTS

The carrying value of investments is based on quoted market prices (Level 1 inputs):

<u>Description</u>	<u>Amount</u>
Mutual funds	\$ 100,613
Certificate of deposit	<u>75,652</u>
Total	<u>\$ 176,265</u>

Investment income is summarized as follows:

<u>Description</u>	<u>Amount</u>
Unrealized gain on investments	\$ 818
Unrealized loss on endowment	(652)
Interest and dividend income	<u>355</u>
Net investment return	<u>\$ 521</u>

The Organization also had \$61 of interest income from operating accounts.

NOTE 6 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

<u>Description</u>	<u>Amount</u>
Land	\$ 100,000
Buildings and improvements	1,592,587
Furniture and equipment	181,202
Clinic equipment	93,009
Website	<u>5,800</u>
Total	1,972,598
Less: accumulated depreciation	<u>(802,181)</u>
Net property and equipment	<u>\$ 1,170,417</u>

Depreciation expense for the year was \$46,256.

NOTE 7 - BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS

A permanent endowment fund is held by the Community First Foundation for operations and mission of Cat Care Society. Under the terms of the endowment, the contributions and accumulated interest and gains are held in perpetuity. Annual distributions equaling 2% of the fund may be distributed to the Organization.

<u>Description</u>	<u>Amount</u>
Contributions at June 30, 2016	\$ 30,000
Accumulated interest and gains	<u>(675)</u>
Total	<u>\$ 29,325</u>

<u>Description</u>	<u>Amount</u>
Balance, beginning of year	\$ 30,577
Withdrawal	(600)
Interest and gains	<u>(652)</u>
Balance, at year-end	<u>\$ 29,325</u>

NOTE 8 - LINES OF CREDIT

The Organization has two lines of credit established with Bank of the West. The first is a \$150,000 revolving line of credit with an interest rate of prime + 3.25%. At June 30, 2016, the interest rate was 3.25% and outstanding principal on this line of credit was \$0. The Organization is required to hold a certificate of deposit as collateral for this line of credit. At June 30, 2016, this certificate of deposit has a balance of \$75,652 and is classified in unrestricted net assets under investments.

The Organization also has overdraft protection of \$10,000 with an annual percentage rate of 9.25%. At June 30, 2016, outstanding principal on this line of credit was \$0.

NOTE 9 - TEMPORARILY RESTRICTED NET ASSETS

At year-end, temporarily restricted net assets were available for the following program purposes:

<u>Description</u>	<u>Amount</u>
Receiving room expansion	\$ 5,250
Clinic medication/veterinarian services	<u>5,195</u>
Total	<u>\$ 10,445</u>

NOTE 10 - NET ASSETS RELEASED FROM RESTRICTIONS

During the year, net assets were released from donor restrictions by incurring expenses, satisfying the restricted program purposes:

<u>Description</u>	<u>Amount</u>
Clinic medication	\$ 14,805
Shelter food	<u>5,000</u>
Total	<u>\$ 19,805</u>