

ANIMAL CARE TRUST

ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2025

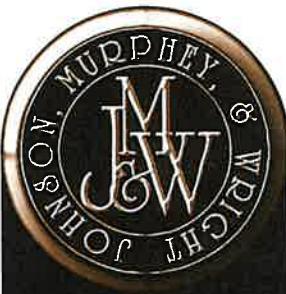
**JOHNSON, MURPHEY & WRIGHT, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
CHATTANOOGA, TENNESSEE**

I. INTRODUCTORY SECTION

ANIMAL CARE TRUST
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June 30, 2025

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II. FINANCIAL SECTION



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Animal Care Trust

Opinion

We have audited the accompanying financial statements of the Animal Care Trust, which comprise the Statement of Financial Position as of June 30, 2025, 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 the Animal Care Trust as of June 30, 2025, 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.

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 the Animal Care Trust 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 the Animal Care Trust'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 misstatements, 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 judgement made by a reasonable user based on the financial statements.

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

- Exercise professional judgement 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 the Animal Care Trust'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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Animal Care Trust'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 Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Supplementary Information is presented for purposes of additional analysis and is not a required part of the financial statements. Such 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. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Johnson, Murphy & Wright, P.C.

Chattanooga, Tennessee
November 20, 2025

ANIMAL CARE TRUST
Statement of Financial Position
June 30, 2025

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
ASSETS			
Current assets			
Cash	\$ 1,689,686	\$ -	\$ 1,689,686
Investments	89,672	-	89,672
Accounts receivable	5,430	-	5,430
Prepaid expenses	13,473	-	13,473
Total current assets	<u>1,798,261</u>	<u>-</u>	<u>1,798,261</u>
Non-current assets			
Security deposit	1,800	-	1,800
Loan closing costs	4,361	-	4,361
Property and equipment - net	<u>3,423,866</u>	<u>-</u>	<u>3,423,866</u>
Total non-current assets	<u>3,430,027</u>	<u>-</u>	<u>3,430,027</u>
TOTAL ASSETS	<u>\$ 5,228,288</u>	<u>\$ -</u>	<u>\$ 5,228,288</u>
LIABILITIES AND NET ASSETS			
Liabilities			
Current liabilities			
Accounts payable	\$ 37,856	\$ -	\$ 37,856
Accrued payroll liabilities	71,460	-	71,460
Accrued vacation	44,266	-	44,266
Other accrued liabilities	1,665	-	1,665
Unearned revenue	47,234	-	47,234
Note payable	<u>131,119</u>	<u>-</u>	<u>131,119</u>
Total current liabilities	<u>333,600</u>	<u>-</u>	<u>333,600</u>
Non-current liabilities			
Note payable	<u>1,571,057</u>	<u>-</u>	<u>1,571,057</u>
Total liabilities	<u>1,904,657</u>	<u>-</u>	<u>1,904,657</u>
Net Assets			
Without donor restrictions:			
Undesignated	3,233,959	-	3,233,959
Board-designated	89,672	-	89,672
With donor restrictions	<u>-</u>	<u>-</u>	<u>-</u>
Total net assets	<u>3,323,631</u>	<u>-</u>	<u>3,323,631</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 5,228,288</u>	<u>\$ -</u>	<u>\$ 5,228,288</u>

The accompanying notes are an integral part of the financial statements.

ANIMAL CARE TRUST
Statement of Activities
For the Year Ended June 30, 2025

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS AND OTHER SUPPORT			
Contributions	\$ 608,253	\$ 246,794	\$ 855,047
City of Chattanooga	2,118,813	-	2,118,813
Other cities	90,483	-	90,483
Fundraising and special events	270,240	-	270,240
Adoption fees	148,360	-	148,360
License fees	25,718	-	25,718
Impound fees	21,379	-	21,379
Crematory services	4,015	-	4,015
Clinic	178,314	-	178,314
Merchandise income	19,090	-	19,090
Facility rental	4,500	-	4,500
Investment return, net	79,468	-	79,468
Other income	9,385	-	9,385
Net assets released from restrictions:			
Satisfaction of program restrictions	<u>354,383</u>	<u>(354,383)</u>	<u>-</u>
Total revenues, gains and other support	<u>3,932,401</u>	<u>(107,589)</u>	<u>3,824,812</u>
EXPENSES			
Program service			
McKamey Animal Care and Adoption Center	<u>3,543,923</u>	<u>-</u>	<u>3,543,923</u>
Supporting services			
Management and general	<u>289,765</u>	<u>-</u>	<u>289,765</u>
Fundraising	<u>354,412</u>	<u>-</u>	<u>354,412</u>
Total supporting services	<u>644,177</u>	<u>-</u>	<u>644,177</u>
Total expenses	<u>4,188,100</u>	<u>-</u>	<u>4,188,100</u>
Change in net assets	<u>(255,699)</u>	<u>(107,589)</u>	<u>(363,288)</u>
Net assets - beginning	<u>3,579,330</u>	<u>107,589</u>	<u>3,686,919</u>
Net assets - end	<u>\$ 3,323,631</u>	<u>\$ -</u>	<u>\$ 3,323,631</u>

The accompanying notes are an integral part of the financial statements.

ANIMAL CARE TRUST
Statement of Functional Expenses
For the Year Ended June 30, 2025

	Program Service		Supporting Services		Total	
	McKamey Animal		Management			
	Care and Adoption Center	and General	Fundraising			
EXPENSES						
Salaries	\$ 2,040,965	\$ 240,114	\$ 120,057	\$ 2,401,136		
Payroll taxes	152,324	17,920	8,960	179,204		
Employee benefits	114,035	13,416	6,708	134,159		
Amortization	406	-	-	406		
Animal supplies	359,056	-	-	359,056		
Bad debt	5,405	-	-	5,405		
Bank charges and credit card fees	25,665	-	-	25,665		
Conferences and meetings	14,795	-	-	14,795		
Depreciation	168,256	-	-	168,256		
Dues and memberships	1,689	-	-	1,689		
Fundraising and special events	-	-	214,104	214,104		
Insurance	122,324	-	-	122,324		
Interest expense	66,832	-	-	66,832		
Marketing	-	-	4,583	4,583		
Merchandise	17,655	-	-	17,655		
Miscellaneous	48	-	-	48		
Office supplies and expenses	62,683	-	-	62,683		
Other personnel expenses	10,634	-	-	10,634		
Professional fees	7,403	18,315	-	25,718		
Rent	20,035	-	-	20,035		
Repairs and maintenance	116,518	-	-	116,518		
Security	4,385	-	-	4,385		
Taxes, licenses and permits	8,516	-	-	8,516		
Uniforms	3,172	-	-	3,172		
Utilities	181,417	-	-	181,417		
Vehicle expenses	39,705	-	-	39,705		
 Total expenses	 \$ 3,543,923	 \$ 289,765	 \$ 354,412	 \$ 4,188,100		

The accompanying notes are an integral part of the financial statements.

ANIMAL CARE TRUST
Statement of Cash Flows
For the Year Ended June 30, 2025

Cash Flows from Operating Activities

Change in net assets	\$ (363,288)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:	
Depreciation	168,256
Amortization	406
Net realized and unrealized (gains) losses on investments	(40,356)
Changes in operating assets and liabilities:	
(Increase) decrease in accounts receivable	16,571
(Increase) decrease in prepaid expenses	(2,076)
Increase (decrease) in accounts payable	2,025
Increase (decrease) in accrued payroll liabilities	11,187
Increase (decrease) in accrued vacation	21,271
Increase (decrease) in other accrued liabilities	790
Increase (decrease) in unearned revenue	1,880
Net cash provided (used) by operating activities	<u>(183,334)</u>

Cash Flows from Investing Activities

Purchase of equipment	(75,133)
Purchase of investments	(8,100)
Proceeds from sales of investments	<u>825,015</u>
Net cash provided (used) by investing activities	<u>741,782</u>

Cash Flows from Financing Activities

Repayment of notes	<u>(126,111)</u>
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Net increase (decrease) in cash	432,337
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Cash - beginning	<u>1,257,349</u>
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Cash - end	<u>\$ 1,689,686</u>
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Supplemental Disclosure

Interest paid	<u>\$ 66,832</u>
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The accompanying notes are an integral part of the financial statements.

ANIMAL CARE TRUST
Notes to Financial Statements
June 30, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

A. Nature of Activities

The Animal Care Trust (the Entity) operates as a nonprofit established for the purpose of overseeing, directing, and managing the design, planning, construction and maintenance of the McKamey Animal Care and Adoption Center in Chattanooga, Tennessee. The Entity is primarily supported by donations from individuals, corporations, and foundations in the Chattanooga area, and by fees for services from the City of Chattanooga.

B. Basis of Accounting

The financial statements are prepared on the accrual basis of accounting, in accordance with the AICPA Audit and Accounting Guide, *Not-for-Profit Entities*, and FASB ASC 958-205-05-6.

C. Net Asset Accounting

The Entity follows the recommendations of the Financial Accounting Standards Board (FASB) ASC 958-205-05-6. The Entity is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions are available for use in general operations and are not subject to donor or grantor restrictions. The Board of Directors can designate, from net assets without donor restrictions, net assets for a specific purpose.

Net assets with donor restrictions are contributions subject to donor or grantor restrictions. The Entity reports contributions restricted by donors, including property and equipment, as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities as net assets released from restrictions. At year-end, the Entity did not have any net assets with donor restrictions.

D. Revenue Recognition

The Entity follows FASB ASC Topic 606, *Revenue from Contracts with Customers*, which establishes a contract and control-based revenue recognition model, a basis for deciding when revenue is recognized over time or at a point in time and expands disclosures about revenue.

Merchandise sales are recognized at the time of purchase.

The Entity recognizes contributions when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Cash and Cash Equivalents

The Entity considers all cash and highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents.

F. Investments

Investments are carried at fair value, determined based on quoted market prices or estimated values provided by external investment managers or other sources. Donated investments are reflected as contributions at their market value at the date of receipt. Realized and unrealized gains and losses, less investment expenses, are reflected within investment return, net, in the Statement of Activities. In accordance with FASB 958-225-45-6, investment gains and income whose restrictions are met in the same reporting period are reported as support in net assets without donor restrictions.

G. Prepayment of Expenses

Expenses extending over more than one accounting period are allocated between accounting periods and reported as an expense of the period in which they relate.

H. Promises to Give

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at fair value, which is measured as the present value of their future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue in the Statement of Activities. The allowance for uncollectible promises to give is based on historical experience and an assessment of economic conditions. Promises to give are written off when deemed uncollectible. Conditional promises to give are not included as support until the conditions are substantially met. At year-end, there were no promises to give.

I. Inventory

Supplies are expensed when they are purchased, therefore, no inventory is maintained.

J. Right of Use Leased Assets and Liabilities

Determination if an arrangement is or contains a lease occurs at the arrangement's inception. Leases are included in right of use assets and lease liabilities in the Statement of Financial Position and are initially recorded at the present value of the future minimum lease payments over the lease term. Short-term leases are not reported as right of use assets and lease liabilities. Instead, the lease payments of short-term leases are reported as lease expense on a straight-line basis over the lease term. At year-end, the Entity did not have any right of use leased assets and liabilities to record.

K. Property and Equipment

Property and equipment are valued at cost, if purchased, or fair value if contributed. The expenses for property and equipment in excess of \$1,000 are capitalized. Minor repairs and maintenance are expensed as incurred and additions and improvements that significantly extend the life of assets are depreciated over the remaining useful lives of the related fixed asset. At the time that assets are retired or disposed of, costs and accumulated depreciation are eliminated from the related accounts and any gain or loss is credited or charged to income. Depreciation is computed on the straight-line method over the estimated useful lives of the assets as follows:

Buildings	10-50 years
Furniture and fixtures	5-10 years
Equipment	5-10 years
Vehicles	5 years

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Compensated Absences

It is the Entity's policy to accrue vacation and sick leave for the future benefit of its employees. This accrual is recorded as a liability in the Statement of Financial Position.

M. In-kind Contributions

Contributed nonfinancial assets, including donated professional services, donated equipment, and other in-kind contributions, are recorded at the fair value of the goods or services received. The Entity's policy is to utilize the assets given to carry out the mission of the Entity. If an asset is provided that does not allow the Entity to utilize it in its normal course of business, the asset will be sold at its fair market value. In addition to contributed nonfinancial assets, volunteers contribute significant amounts of time to program and supporting services; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed goods are recorded at fair value at the date of donation. No significant contributions of such goods or services were received during the year.

N. Functional Allocation of Expenses

The financial statements report categories of expenses that are attributed to program service activities or supporting service activities. The expenses are generally attributable to a functional category with no significant allocations between program service activities and supporting service activities occurring. Expenses that are attributable to more than one program or supporting function require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries, payroll taxes, and employee benefits, which are allocated on the basis of estimates of time and effort.

O. Description of Program and Supporting Services

McKamey Animal Care and Adoption Center

Dedicated to the operation of the Center and the care of the animals.

Management and general

Includes the functions necessary to ensure an adequate working environment; provide coordination and articulation of the Entity's programs; and manage the functioning of the Board of Directors and financial and budgetary responsibilities.

Fundraising

Provides the structure necessary to encourage and secure financial support from outside sources.

P. Estimates

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

Q. Uncertain Tax Position

The Entity accounts for the effect of any uncertain tax position based on a more likely than not threshold of the recognition of the tax position being sustained based on the merits of the position under examination by the applicable taxing authority. If a tax position is deemed to be uncertain, the unrecognized tax benefit is estimated based on a probability assessment. Tax positions include, but are not limited to, the tax-exempt status and determination of whether income is subject to unrelated business income tax. There were no uncertain tax positions requiring recognition in the financial statements at year-end.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

R. Taxes

The Entity is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes on related income pursuant to Section 501 of the Code. No federal excise tax or unrelated business income tax was due for the previous tax year.

S. Events Occurring after Reporting Date

The Entity has evaluated events and transactions that occurred between June 30, 2025, and November 20, 2025, which is the date that the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

NOTE 2 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

Financial assets available within one year of the balance sheet date for general expenditures are as follows:

Cash	\$ 1,689,686
Investments	89,672
Accounts receivable	<u>5,430</u>
Total financial assets	1,784,788
Less: board-designated funds	(89,672)
 Total	 <u>\$ 1,695,116</u>

As part of the Entity's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

The Entity's endowment funds consist of a board-designated endowment. Although the Entity does not intend to spend its board-designated endowment, other than amounts appropriated for general expenditure as part of its annual budget approval and appropriation process, amounts from its board-designated endowment could be made available if necessary.

The Entity may receive contributions and promises to give that are restricted by donors, and considers contributions restricted for programs that are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. The Entity manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged.

NOTE 3 - CONCENTRATIONS OF RISK

Deposit concentration risk

Management places funds in financial institutions believed to be creditworthy. Insured accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per insured bank. As of year-end, the Entity had \$944,426 in excess of FDIC insurance limits. To date, the Entity has not experienced losses in any of these accounts.

Market risk

Investments are closely monitored by management. Although the fair values of investments are subject to fluctuation, management believes their investment choices are prudent for the long-term welfare of the Entity.

NOTE 3 - CONCENTRATIONS OF RISK (Continued)

Receivables

Credit risk associated with accounts receivable is considered to be low due to high historical collection rates and because of the nature of the receivables.

Concentration of revenue

For the year ended June 30, 2025, approximately 55% of the Entity's total revenues came from the City of Chattanooga. A major reduction in these funds could have a significant effect on future operations.

NOTE 4 - CASH

At year-end, cash consisted of the following:

Cash on hand	\$ 1,623
Bank accounts	<u>1,688,063</u>
Total	<u>\$ 1,689,686</u>

NOTE 5 - INVESTMENTS

\$89,672 of investments are held at the Community Foundation of Greater Chattanooga for the Entity's benefit. These investments are the Entity's property but may be commingled with other funds held by the Community Foundation. The Entity has ultimate authority and control over all the investments, however some funds may be board-designated or have donor-imposed restrictions. These restrictions are honored by the Entity. Quarterly statements are received from the Community Foundation and investment income is recognized at that time. A detailed breakdown of securities by type is not provided by the Community Foundation.

NOTE 6 - FAIR VALUE MEASUREMENT

Certain assets are reported at fair value in the financial statements. Fair value is the price that would be received to sell an asset in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset based on the information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets the Entity can access at the measurement date.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly. These include quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, inputs other than quoted prices that are observable for the asset, and market-corroborated inputs.

NOTE 6 - FAIR VALUE MEASUREMENT (Continued)

Level 3 - Unobservable inputs for the asset. Management develops inputs using the best information available in the circumstances.

The Entity's Level 2 investments are comprised of equity securities and are valued by the custodians of the securities using pricing models based on credit quality, time to maturity, stated interest rates, and market-rate assumptions.

The Entity had no Level 1 or Level 3 investments.

The following table presents assets measured at fair value on a recurring basis as of year-end.

	Level 1	Level 2	Level 3	Total
Investments	\$ -	\$ 89,672	\$ -	\$ 89,672

NOTE 7- PROPERTY AND EQUIPMENT - NET

Property and equipment consist of the following at year-end:

	Beginning Balance	Additions	Disposals	Ending Balance
Land	\$ 223,100	\$ -	\$ -	\$ 223,100
Buildings	4,786,590	39,600	-	4,826,190
Furniture and fixtures	243,458	-	-	243,458
Equipment	156,100	1,956	-	158,056
Vehicles	400,037	33,577	(14,500)	419,114
	5,809,285	75,133	(14,500)	5,869,918
Accumulated depreciation	(2,292,296)	(168,256)	14,500	(2,446,052)
Total	<u>\$ 3,516,989</u>	<u>\$ (93,123)</u>	<u>\$ -</u>	<u>\$ 3,423,866</u>

NOTE 8 - UNEARNED REVENUE

At year-end, unearned revenue consists of the following:

MAC Cares Fund assistance received but unspent at year-end	\$ 18,053
Angel Fund assistance received but unspent at year-end	<u>\$ 29,181</u>
Total	<u>\$ 47,234</u>

NOTE 9 - NOTE PAYABLE

The Entity has a note payable to First Horizon Bank. The original amount of the note on February 25, 2021 was \$2,200,000. The note is secured by facility and equipment. Principal and interest of 3.725% is payable monthly. The final payment is due March 25, 2036. The note payable balance at year-end was as follows:

Note payable	\$ 1,702,176
Less amount due within one year	<u>(131,119)</u>
Total due after one year	<u>\$ 1,571,057</u>

NOTE 9 - NOTE PAYABLE (Continued)

Future maturities of this debt, including interest of \$365,824, are as follows:

Year ending June 30,	Principal	Interest	Total
2026	\$ 131,119	\$ 61,136	\$ 192,255
2027	136,088	56,167	192,255
2028	141,244	51,011	192,255
2029	146,596	45,659	192,255
2030	152,151	40,104	192,255
Thereafter	<u>994,978</u>	<u>111,747</u>	<u>1,106,725</u>
Total	\$ 1,702,176	\$ 365,824	\$ 2,068,000

During the year ended June 30, 2025, interest paid on notes totaled \$66,832.

NOTE 10 - NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions consist of the following:

Undesignated	\$ 3,233,959
Board-designated for:	
Endowment, income to be used to supplement operations and activities, subject to the Entity's spending policy	<u>89,672</u>
Total	<u>\$ 3,323,631</u>

NOTE 11 - ADVERTISING

The Entity uses advertising to promote its programs to the public. Advertising costs are expensed as incurred. During the year ended June 30, 2025, advertising costs totaled \$4,583. These expenses are classified as marketing in the Statement of Functional Expenses.

NOTE 12 - RETIREMENT PLAN

The Entity offers a Simple IRA plan covering all employees. The plan provides for matching contributions of up to 3% of employees' gross pay. During the year, the Entity's retirement plan expenses totaled \$30,465.

NOTE 13 - ENDOWMENT

As required by the Uniform Prudent Management of Institutional Funds Act (UPMIFA), net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Entity's endowment includes certain net assets without donor restrictions that have been designated for endowment by the Board of Directors.

NOTE 13 - ENDOWMENT (Continued)

Interpretation of Relevant Law

For donor-restricted endowments, the Board of Directors has interpreted UPMIFA as requiring the maintenance of only the original gift amount contributed to the endowment, unless a donor stipulates the contrary. The original gift amount of the donor-restricted endowment must be retained in perpetuity and is not subject to appropriation for expenditure. The fund would be underwater if the fair value of the fund is less than the original value and subsequent gifts donated to the fund.

Underwater Endowment Funds

Should there be any underwater endowments, the Board of Directors has interpreted UPMIFA to permit spending from the underwater endowments in accordance with prudent measures.

Return Objectives and Risk Parameters

The target rate of return is 5% per year. Actual returns in any given year may vary from this amount. The investment manager is to pursue a conservative investment management philosophy in the handling of endowment funds.

Spending Policy and How the Investment Objectives Relate to the Spending Policy

The return objectives attempt to provide a predictable stream of funding while seeking to maintain the original donation. We consider the following factors in making a determination to appropriate or accumulate the earnings of the endowment funds: 1) the duration and preservation of the fund, 2) the purpose of the Entity and the endowment fund, 3) general economic conditions, 4) the possible effect of inflation and deflation, 5) the expected total return from income and the appreciation of investments, 6) other resources of the Entity, and 7) the investment policies of the Entity.

Withdrawal from the board-designated endowment fund is at the discretion of the Board of Directors. During the year ended June 30, 2025, the Board of Directors elected not to take a distribution from the board-designated endowment.

Strategies Employed for Achieving Objectives

To satisfy its return objective, the Entity relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Entity targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its return objectives within prudent risk constraints. Fixed income securities and common stocks are appropriate for inclusion for endowment funds. The asset mix will seek to achieve a balance between income investments and growth investments.

At year-end, endowment net asset composition by type of fund was as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Board designated endowment funds	\$ 89,672	\$ -	\$ 89,672
Donor-restricted endowment funds	-	-	-
Total	\$ 89,672	\$ -	\$ 89,672

NOTE 13 - ENDOWMENT (Continued)

Changes in endowment net assets for the year were as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 76,339	\$ -	\$ 76,339
Investment return, net	5,233	-	5,233
Contributions	8,100	-	8,100
Appropriation of endowment assets	-	-	-
Other changes	-	-	-
Endowment net assets, end of year	<u>\$ 89,672</u>	<u>\$ -</u>	<u>\$ 89,672</u>

NOTE 14 - RISK MANAGEMENT

It is the policy of the Entity to purchase commercial insurance for the risks of losses to which it is exposed. These risks include general liability, property and casualty, workers' compensation, and directors and officers liabilities. Any claims have not exceeded this commercial coverage in any of the past three fiscal years.

SUPPLEMENTARY INFORMATION

ANIMAL CARE TRUST
Comparative Schedule of Financial Position
June 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
ASSETS		
Current assets		
Cash	\$ 1,689,686	\$ 1,257,349
Investments	89,672	866,231
Accounts receivable	5,430	22,001
Prepaid expenses	13,473	11,397
Total current assets	<u>1,798,261</u>	<u>2,156,978</u>
Non-current assets		
Security deposit	1,800	1,800
Loan closing costs	4,361	4,767
Property and equipment - net	3,423,866	3,516,989
Total non-current assets	<u>3,430,027</u>	<u>3,523,556</u>
TOTAL ASSETS	<u><u>\$ 5,228,288</u></u>	<u><u>\$ 5,680,534</u></u>
LIABILITIES AND NET ASSETS		
Liabilities		
Current liabilities		
Accounts payable	\$ 37,856	\$ 35,831
Accrued payroll liabilities	71,460	60,273
Accrued vacation	44,266	22,995
Other accrued liabilities	1,665	875
Unearned revenue	47,234	45,354
Notes payable	131,119	126,332
Total current liabilities	<u>333,600</u>	<u>291,660</u>
Non-current liabilities		
Notes payable	<u>1,571,057</u>	<u>1,701,955</u>
Total liabilities	<u>1,904,657</u>	<u>1,993,615</u>
Net Assets		
Without donor restrictions:		
Undesignated	3,233,959	3,502,991
Board-designated	89,672	76,339
With donor restrictions	<u>-</u>	<u>107,589</u>
Total net assets	<u>3,323,631</u>	<u>3,686,919</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 5,228,288</u></u>	<u><u>\$ 5,680,534</u></u>

ANIMAL CARE TRUST
Comparative Schedule of Activities
For the Years Ended June 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
REVENUES, GAINS AND OTHER SUPPORT		
Contributions	\$ 855,047	\$ 898,216
City of Chattanooga	2,118,813	2,017,908
Other cities	90,483	84,494
Fundraising and special events	270,240	341,726
Adoption fees	148,360	135,828
License fees	25,718	25,952
Impound fees	21,379	34,571
Crematory services	4,015	7,910
Clinic	178,314	191,778
Merchandise income	19,090	18,005
Facility rental	4,500	4,500
Investment return, net	79,468	108,506
Other income	<u>9,385</u>	<u>28,040</u>
 Total revenues, gains and other support	 <u>3,824,812</u>	 <u>3,897,434</u>
EXPENSES		
Program service		
McKamey Animal Care and Adoption Center	<u>3,543,923</u>	<u>3,276,238</u>
Supporting services		
Management and general	289,765	268,097
Fundraising	<u>354,412</u>	<u>331,751</u>
Total supporting services	<u>644,177</u>	<u>599,848</u>
 Total expenses	 <u>4,188,100</u>	 <u>3,876,086</u>
Change in net assets	(363,288)	21,348
Net assets - beginning	<u>3,686,919</u>	<u>3,665,571</u>
Net assets - end	<u>\$ 3,323,631</u>	<u>\$ 3,686,919</u>

ANIMAL CARE TRUST
Comparative Schedule of Functional Expenses
For the Years Ended June 30, 2025 and 2024

	Program Service		Supporting Services		2025 Total	2024 Total		
	McKamey Animal Care and Adoption Center		Management and General					
				Fundraising				
EXPENSES								
Salaries	\$ 2,040,965		\$ 240,114	\$ 120,057	\$ 2,401,136	\$ 2,222,518		
Payroll taxes	152,324		17,920	8,960	179,204	169,186		
Employee benefits	114,035		13,416	6,708	134,159	120,975		
Amortization	406		-	-	406	406		
Animal supplies	359,056		-	-	359,056	286,776		
Bad debt	5,405		-	-	5,405	14,880		
Bank charges and credit card fees	25,665		-	-	25,665	27,643		
Conferences and meetings	14,795		-	-	14,795	18,096		
Depreciation	168,256		-	-	168,256	165,378		
Dues and memberships	1,689		-	-	1,689	989		
Fundraising and special events	-		-	214,104	214,104	197,718		
Insurance	122,324		-	-	122,324	126,077		
Interest expense	66,832		-	-	66,832	72,656		
Marketing	-		-	4,583	4,583	8,399		
Merchandise	17,655		-	-	17,655	10,799		
Miscellaneous	48		-	-	48	963		
Office supplies and expenses	62,683		-	-	62,683	57,824		
Other personnel expenses	10,634		-	-	10,634	11,039		
Professional fees	7,403	18,315	-	-	25,718	22,470		
Rent	20,035		-	-	20,035	8,331		
Repairs and maintenance	116,518		-	-	116,518	98,432		
Security	4,385		-	-	4,385	4,385		
Taxes, licenses and permits	8,516		-	-	8,516	9,372		
Uniforms	3,172		-	-	3,172	17,437		
Utilities	181,417		-	-	181,417	161,112		
Vehicle expenses	39,705		-	-	39,705	42,225		
 Total expenses	 \$ 3,543,923		 \$ 289,765	 \$ 354,412	 \$ 4,188,100	 \$ 3,876,086		