



WHISMAN GIORDANO  
CERTIFIED PUBLIC ACCOUNTANTS

Building Extraordinary Relationships

FORGOTTEN CATS, INC.

FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORT

DECEMBER 31, 2018 AND 2017

FORGOTTEN CATS, INC.

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Forgotten Cats, Inc.  
Greenville, Delaware

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Forgotten Cats, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for the years 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 accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 from 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 auditor's 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 Organization'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.

Board of Directors  
Forgotten Cats, Inc.

***Auditor's Responsibility (Continued)***

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 Forgotten Cats, Inc. as of December 31, 2018 and 2017, and the changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Emphasis of Matter***

As discussed in Note B to the financial statements, in 2018, Forgotten Cats, Inc. adopted FASB Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities* (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

***Whisman Giordano & Associates, LLC***

Newark, Delaware  
August 13, 2019

FORGOTTEN CATS, INC.

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2018 AND 2017

|                                      | <u>2018</u>         | <u>2017</u>         |
|--------------------------------------|---------------------|---------------------|
| ASSETS                               |                     |                     |
| CURRENT ASSETS                       |                     |                     |
| Cash and equivalents                 | \$ 880,853          | \$ 814,336          |
| Accounts receivable                  | 500                 | -                   |
| Prepayments and other assets         | <u>22,453</u>       | <u>18,675</u>       |
| Total current assets                 | 903,806             | 833,011             |
| PROPERTY AND EQUIPMENT, NET          | <u>321,616</u>      | <u>274,291</u>      |
| TOTAL ASSETS                         | <u>\$ 1,225,422</u> | <u>\$ 1,107,302</u> |
| LIABILITIES AND NET ASSETS           |                     |                     |
| CURRENT LIABILITIES                  |                     |                     |
| Accounts payable                     | \$ 18,979           | \$ 22,750           |
| Accrued payroll taxes                | <u>2,164</u>        | <u>1,754</u>        |
| Total current liabilities            | <u>21,143</u>       | <u>24,504</u>       |
| NET ASSETS                           |                     |                     |
| Without donor restrictions:          |                     |                     |
| Investment in property and equipment | 321,616             | 274,291             |
| Undesignated                         | <u>859,889</u>      | <u>678,050</u>      |
| Total without donor restrictions     | 1,181,505           | 952,341             |
| With donor restrictions              | <u>22,774</u>       | <u>130,457</u>      |
| Total net assets                     | <u>1,204,279</u>    | <u>1,082,798</u>    |
| TOTAL LIABILITIES AND NET ASSETS     | <u>\$ 1,225,422</u> | <u>\$ 1,107,302</u> |

*See accompanying notes to financial statements.*

FORGOTTEN CATS, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2018

|   | Without Donor<br>Restrictions | With Donor<br>Restrictions | Totals              |
|---|-------------------------------|----------------------------|---------------------|
| <b>REVENUES, GAINS, AND OTHER SUPPORT</b> |                               |                            |                     |
| Contributions                             | \$ 480,210                    | \$ 181,425                 | \$ 661,635          |
| Contributions in-kind                     | -                             | -                          | -                   |
| Allocations from federated campaigns      | 23,847                        | -                          | 23,847              |
| Program service fees                      | 413,321                       | -                          | 413,321             |
| Interest income                           | 320                           | -                          | 320                 |
| Rental income                             | 1,800                         | -                          | 1,800               |
| Miscellaneous income                      | 224                           | -                          | 224                 |
| Gain (loss) on disposal of equipment      | -                             | -                          | -                   |
| Total revenues and gains                  | <u>919,722</u>                | <u>181,425</u>             | <u>1,101,147</u>    |
| Net assets released from restrictions     | 289,108                       | (289,108)                  | -                   |
| Total revenues, gains, and other support  | <u>1,208,830</u>              | <u>(107,683)</u>           | <u>1,101,147</u>    |
| <b>EXPENSES AND LOSSES</b>                |                               |                            |                     |
| Program services                          | 905,125                       | -                          | 905,125             |
| Management and general                    | 15,057                        | -                          | 15,057              |
| Fundraising costs                         | 59,484                        | -                          | 59,484              |
| Total expenses and losses                 | <u>979,666</u>                | <u>-</u>                   | <u>979,666</u>      |
| <b>CHANGES IN NET ASSETS</b>              | 229,164                       | (107,683)                  | 121,481             |
| <b>NET ASSETS</b>                         |                               |                            |                     |
| Beginning of year                         | <u>952,341</u>                | <u>130,457</u>             | <u>1,082,798</u>    |
| End of year                               | <u>\$ 1,181,505</u>           | <u>\$ 22,774</u>           | <u>\$ 1,204,279</u> |

*See accompanying notes to financial statements.*

FORGOTTEN CATS, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2017

|   | Without Donor<br>Restrictions | With Donor<br>Restrictions | Totals              |
|---|-------------------------------|----------------------------|---------------------|
| <b>REVENUES, GAINS, AND OTHER SUPPORT</b> |                               |                            |                     |
| Contributions                             | \$ 272,515                    | \$ 295,000                 | \$ 567,515          |
| Contributions in-kind                     | 2,973                         | -                          | 2,973               |
| Allocations from federated campaigns      | 25,590                        | -                          | 25,590              |
| Program service fees                      | 354,974                       | -                          | 354,974             |
| Interest income                           | 172                           | -                          | 172                 |
| Rental income                             | -                             | -                          | -                   |
| Miscellaneous income                      | -                             | -                          | -                   |
| Gain (loss) on disposal of equipment      | (1,527)                       | -                          | (1,527)             |
| Total revenues and gains                  | <u>654,697</u>                | <u>295,000</u>             | <u>949,697</u>      |
| Net assets released from restrictions     | 276,219                       | (276,219)                  | -                   |
| Total revenues, gains, and other support  | <u>930,916</u>                | <u>18,781</u>              | <u>949,697</u>      |
| <b>EXPENSES AND LOSSES</b>                |                               |                            |                     |
| Program services                          | 701,570                       | -                          | 701,570             |
| Management and general                    | 14,268                        | -                          | 14,268              |
| Fundraising costs                         | 58,130                        | -                          | 58,130              |
| Total expense and losses                  | <u>773,968</u>                | <u>-</u>                   | <u>773,968</u>      |
| <b>CHANGES IN NET ASSETS</b>              | 156,948                       | 18,781                     | 175,729             |
| <b>NET ASSETS</b>                         |                               |                            |                     |
| Beginning of year                         | <u>795,393</u>                | <u>111,676</u>             | <u>907,069</u>      |
| End of year                               | <u>\$ 952,341</u>             | <u>\$ 130,457</u>          | <u>\$ 1,082,798</u> |

*See accompanying notes to financial statements.*

FORGOTTEN CATS, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2018

|  | Program<br>Services      | Management<br>& General | Fund<br>Raising         | Total<br>Expenses        |
|--|--------------------------|-------------------------|-------------------------|--------------------------|
| <b>EXPENSES AND LOSSES</b>                               |                          |                         |                         |                          |
| Salaries   | \$ 57,619                | \$ -                    | \$ 31,300               | \$ 88,919                |
| Employees other benefits                                 | 10,742                   | -                       | -                       | 10,742                   |
| Payroll taxes and related costs                          | 4,224                    | -                       | 2,394                   | 6,618                    |
| Total personnel costs                                    | <u>72,585</u>            | <u>-</u>                | <u>33,694</u>           | <u>106,279</u>           |
| Nonpayroll insurance                                     | 39,776                   | -                       | -                       | 39,776                   |
| Veterinarian fees  | 95,760                   | -                       | -                       | 95,760                   |
| Professional fees  | 6,968                    | 6,968                   | -                       | 13,935                   |
| Supplies-medical   | 360,315                  | -                       | -                       | 360,315                  |
| Supplies-food and other                                  | 119,301                  | -                       | -                       | 119,301                  |
| Supplies-other   | 1,465                    | 163                     | -                       | 1,628                    |
| Telephone  | 3,583                    | 422                     | 211                     | 4,215                    |
| Postage and freight                                      | 2,074                    | 230                     | 16,808                  | 19,112                   |
| Occupancy costs:   |                          |                         |                         |                          |
| Rent   | 22,990                   | 1,210                   | -                       | 24,200                   |
| Utilities  | 31,561                   | 1,661                   | -                       | 33,222                   |
| Maintenance  | 52,053                   | 2,740                   | -                       | 54,793                   |
| Insurance  | 253                      | 13                      | -                       | 266                      |
| Office expense   | 5,740                    | 319                     | 319                     | 6,378                    |
| Information technology                                   | 6,077                    | 320                     | -                       | 6,397                    |
| Equipment maintenance                                    | -                        | -                       | -                       | -                        |
| Printing and publications                                | 1,850                    | -                       | 8,452                   | 10,302                   |
| Dues and subscriptions                                   | 640                      | -                       | -                       | 640                      |
| Public relations/advertising                             | 893                      | -                       | -                       | 893                      |
| Trapping and other expenses                              | 54,862                   | -                       | -                       | 54,862                   |
| Volunteer expenses                                       | -                        | 705                     | -                       | 705                      |
| Miscellaneous  | 7,942                    | -                       | -                       | 7,942                    |
| Total other expenses                                     | <u>814,102</u>           | <u>14,750</u>           | <u>25,790</u>           | <u>854,642</u>           |
| Total expenses and losses<br>before depreciation expense | 886,687                  | 14,750                  | 59,484                  | 960,921                  |
| Depreciation Expense                                     | <u>18,438</u>            | <u>307</u>              | <u>-</u>                | <u>18,745</u>            |
| <b>TOTAL EXPENSES AND LOSSES</b>                         | <u><u>\$ 905,125</u></u> | <u><u>\$ 15,057</u></u> | <u><u>\$ 59,484</u></u> | <u><u>\$ 979,666</u></u> |

*See accompanying notes to financial statements.*



FORGOTTEN CATS, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2017

|  | Program<br>Services | Management<br>& General | Fund<br>Raising  | Total<br>Expenses |
|--|---------------------|-------------------------|------------------|-------------------|
| <b>EXPENSES AND LOSSES</b>                               |                     |                         |                  |                   |
| Salaries   | \$ 63,163           | \$ -                    | \$ 41,541        | \$ 104,704        |
| Employees other benefits                                 | 4,470               | -                       | -                | 4,470             |
| Payroll taxes and related costs                          | 4,832               | -                       | 3,178            | 8,010             |
| Total personnel costs                                    | <u>72,465</u>       | <u>-</u>                | <u>44,719</u>    | <u>117,184</u>    |
| Nonpayroll insurance                                     | 23,305              | -                       | -                | 23,305            |
| Veterinarian fees  | 85,693              | -                       | -                | 85,693            |
| Professional fees  | 6,945               | 6,945                   | -                | 13,890            |
| Supplies-medical   | 264,062             | -                       | -                | 264,062           |
| Supplies-food and other                                  | 82,715              | -                       | -                | 82,715            |
| Supplies-other   | 1,938               | 215                     | -                | 2,153             |
| Telephone  | 3,142               | 370                     | 185              | 3,697             |
| Postage and freight                                      | 1,235               | 137                     | 3,359            | 4,731             |
| Occupancy costs:   |                     |                         |                  |                   |
| Rent   | 23,085              | 1,215                   | -                | 24,300            |
| Utilities  | 22,269              | 1,172                   | -                | 23,441            |
| Maintenance  | 21,331              | 1,123                   | -                | 22,454            |
| Insurance  | 1,042               | 55                      | -                | 1,097             |
| Office expense   | 5,422               | 301                     | 301              | 6,024             |
| Information technology                                   | 5,598               | 295                     | -                | 5,893             |
| Equipment maintenance                                    | -                   | -                       | -                | -                 |
| Printing and publications                                | 634                 | -                       | 8,866            | 9,500             |
| Dues and subscriptions                                   | 715                 | -                       | -                | 715               |
| Public relations/advertising                             | 2,450               | -                       | -                | 2,450             |
| Trapping and other expenses                              | 58,051              | -                       | -                | 58,051            |
| Volunteer expenses                                       | -                   | 2,137                   | -                | 2,137             |
| Miscellaneous  | 4,552               | -                       | 700              | 5,252             |
| Total other expenses                                     | <u>614,184</u>      | <u>13,965</u>           | <u>13,411</u>    | <u>641,560</u>    |
| Total expenses and losses<br>before depreciation expense | 686,649             | 13,965                  | 58,130           | 758,744           |
| Depreciation expense                                     | <u>14,921</u>       | <u>303</u>              | <u>-</u>         | <u>15,224</u>     |
| <b>TOTAL EXPENSES AND LOSSES</b>                         | <u>\$ 701,570</u>   | <u>\$ 14,268</u>        | <u>\$ 58,130</u> | <u>\$ 773,968</u> |

See accompanying notes to financial statements.

FORGOTTEN CATS, INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

|  | <u>2018</u>       | <u>2017</u>       |
|--|-------------------|-------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>            |                   |                   |
| Cash received from contributors                        | \$ 661,635        | \$ 567,515        |
| Cash received from federated campaigns                 | 23,847            | 25,590            |
| Cash received from program services                    | 413,545           | 354,974           |
| Interest income received                               | 320               | 172               |
| Rental income received                                 | 1,800             | -                 |
| Cash paid to employees and suppliers                   | <u>(968,560)</u>  | <u>(739,640)</u>  |
| Net cash flows provided (used) by operating activities | <u>132,587</u>    | <u>208,611</u>    |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>            |                   |                   |
| Acquisition of property and equipment                  | <u>(66,070)</u>   | <u>(1,200)</u>    |
| Net cash flows provided (used) by investing activities | <u>(66,070)</u>   | <u>(1,200)</u>    |
| <b>NET INCREASE IN CASH AND EQUIVALENTS</b>            | 66,517            | 207,411           |
| <b>CASH AND EQUIVALENTS</b>                            |                   |                   |
| Beginning of year                                      | <u>814,336</u>    | <u>606,925</u>    |
| End of Year  | <u>\$ 880,853</u> | <u>\$ 814,336</u> |

*See accompanying notes to financial statements.*

FORGOTTEN CATS, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE A - NATURE OF THE ORGANIZATION

Forgotten Cats, Inc.'s (the "Organization") mission is to humanely reduce the homeless and unwanted cat population through Trap/Neuter/Release [TNR]. The organization finds homes for socialized cats through two PetSmart Adoption Centers in Delaware and six in Pennsylvania. The organization sterilizes an average of 900 to 1,000 cats in our two medical clinics and adopts out 70 to 100 socialized cats monthly.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

*Applicable Financial Reporting Framework*

The financial position and results of activities of Forgotten Cats, Inc. have been reported on an acceptable applicable financial reporting framework. The applicable financial reporting framework used by Forgotten Cats, Inc. is U.S. generally accepted accounting principles (GAAP). Under this reporting framework, revenues are recognized in the period when earned and expenses are recorded when a liability is incurred.

*Basis of Financial Statement Presentation*

The financial statement presentation follows the recommendation of the Financial Accounting Standards Board (FASB). FASB codification pertaining to *Not-for-Profit Entities*, ASU No. 2016-14, requires the Organization to report information regarding its financial position and activities according to two classes of net assets: with donor restrictions and without donor restrictions. The net assets and revenues, expenses, gains and losses are classified based on the existence of, or the absence of, donor-imposed restrictions. Accordingly, net assets and the changes therein are classified as described below:

*Classification of Net Assets* - Separate line items may be reported within net assets with donor restrictions or in notes to the financial statements to distinguish between the various types of donor-imposed restrictions, such as the following:

- a) Assets such as land or works of art, donated with stipulations that they be used for specified purpose, be preserved, and not be sold,
- b) Assets donated with stipulations that they be invested to provide a permanent source of income. These result from gifts and bequests that create a donor-restricted endowment that is perpetual in nature,
- c) Support of a particular operating activity,
- d) Investment for a specified term,
- e) Use in a specified future period, and
- f) Acquisition of long-lived assets.

FORGOTTEN CATS, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

*Basis of Financial Statement Presentation (continued)*

*Allocation of Expenses by Nature and Function* – Activities that represent direct conduct or direct supervision of program or other supporting activities would require allocation from management and general activities. Additionally, certain costs benefit more than one function and, therefore, shall be allocated. For example, information technology generally can be identified as benefitting various functions, such as accounting and financial reporting, human resources, fundraising, and program delivery. Information technology costs generally would, therefore, be allocated among the functions receiving direct benefits.

*Use of Estimates*

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 as of the date of financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, the actual results could differ from those estimates.

*Cash and Equivalents*

The Organization considers all highly liquid investments having an original maturity of three months or less, to be cash and cash equivalents. All other highly liquid instruments, which are to be used for the long-term purposes, are classified as investments.

The Organization maintains its deposits with two financial institutions. Both interest and non-interest-bearing accounts held by the same financial institution are insured by the Federal Deposit Insurance Corporation (FDIC) for a combined total up to \$250,000. In the normal course of business, the deposits may exceed the insured account balances.

*Promise to Give*

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of benefits received. Allowances are provided for amounts estimated to be uncollectible, which are based on industry trends, the geographic area of operations, and an analysis of the collectability of the individual pledges received.

Conditional promises are recognized when the conditions on which they depend are substantially met. The Organization has no conditional promises for the years presented.

FORGOTTEN CATS, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

*Prepayments and Other Assets*

Payments made to vendors for goods and services that will benefit periods beyond the current period are recorded as prepayment and other assets using the consumption method by recording an asset for the prepaid amount and reflecting the expense in the period in which the goods or services are consumed. At December 31, 2018 and 2017, prepayments and other assets consist of prepaid insurance of \$16,863 and \$13,085, and prepaid rent and other deposits of \$5,590 and \$5,590, respectively.

*Property and Equipment*

Property and Equipment is carried at cost and consists of land, buildings and improvements, furniture, and fixtures, equipment, and vehicles. The cost for repairs and maintenance is charged to expense as incurred; the cost of renewals and betterments is capitalized. When capital assets are sold or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any gain or loss is included in the statement of activities. The Organization follows the practice of capitalizing all expenses for capital assets with an initial, individual cost of \$500 or more and an estimated useful life in excess of one year.

Depreciation is computed using the straight-line method over the estimated useful lives of capital assets ranging from 5 to 40 years.

*Impairment of Long-Lived Assets*

As required by the *Property, Plant, and Equipment* Topic of the FASB Accounting Standards Codification No. 360 ("FASB ASC 360"), long-lived assets to be held and used are required to be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. When required, impairment losses on assets to be held and used are recognized based on the fair value of the asset. Long-lived assets to be disposed of are reported at the lower of the carrying amount or fair value less the cost to sell. No impairment loss is reported for the years presented.

*Donated Assets*

Donated marketable securities and other noncash donations are recorded as contributions at their estimated fair value as of the date of the donation.

FORGOTTEN CATS, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

*Donated Property and Equipment*

Donated property and equipment are recorded as support at their estimated fair value as of the date of the donation. Such donations are reported as support without donor restrictions unless the donor restricted the donated capital asset for a specific purpose. Capital assets donated with explicit restrictions regarding their use, and contributions of cash that are used to acquire such assets, are reported as support with donor restrictions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

*Donated Services*

The Organization 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. The Organization did not receive donated services meeting the criteria for the years presented. However, to fulfill its mission, the Organization depends on individuals volunteering their time.

*Advertising (Public Relations) Costs*

Costs incurred for advertising are expensed when incurred. Advertising expense for the years ended December 31, 2018 and 2017 was \$893 and \$2,450, respectively

*Income Tax Status*

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Service (IRS) Code. However, income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Organization qualifies for the charitable contribution deduction under section 170(b)(A)(1) and has been classified as an organization that is not a private foundation.

The Financial Accounting Standards Board on statements pertaining to *Accounting for Uncertainty in Income Taxes* recognized in the financial statements prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of tax positions taken or expected to be taken on a tax return. The federal returns of the Organization for the prior three years are subject to examination by the IRS, generally three years after they are filed. The tax positions taken by management during these years are based on clear and unambiguous tax law; and management has a high level of confidence in the technical merits of the positions taken.

FORGOTTEN CATS, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE C - CONCENTRATION OF CREDIT RISK

At December 31, 2018 and 2017, the cash deposits are held by two financial institutions, and these deposits are insured by the Federal Deposits Insurance Corporation (FDIC). Deposits totaling \$896,031 (book balance of \$880,853) and \$818,705 (book balance of \$814,336) held by one of the financial institutions were in excess of FDIC insurance limits by \$580,694 and \$485,625, respectively. Deposits in excess of FDIC insurance (or non-coverage) are exposed to custodial credit risk. The custodial credit risk is the risk that in the event of bank failure, these deposits may not be returned to the Organization.

NOTE D - PROPERTY AND EQUIPMENT

The following tables summarize the annual changes to property and equipment:

| Description                | As of and Year Ended December 31, 2018 |           |           |                 |
|----------------------------|--|-----------|-----------|-----------------|
|                            | Beginning Balances                     | Additions | Deletions | Ending Balances |
| Land                       | \$ 27,600                              | \$ -      | \$ -      | \$ 27,600       |
| Buildings and improvements | 270,220                                | 41,319    | -         | 311,539         |
| Furniture and fixtures     | 3,833                                  | -         | -         | 3,833           |
| Equipment                  | 14,862                                 | -         | -         | 14,862          |
| Vehicles                   | 36,535                                 | 24,751    | -         | 61,286          |
| Total book value           | 353,050                                | 66,070    | -         | 419,120         |
| Accumulated depreciation   | 78,759                                 | 18,745    | -         | 97,504          |
| Net book value             | \$ 274,291                             | \$ 47,325 | \$ -      | \$ 321,616      |

| Description                | As of and Year Ended December 31, 2017 |             |           |                 |
|----------------------------|--|-------------|-----------|-----------------|
|                            | Beginning Balances                     | Additions   | Deletions | Ending Balances |
| Land                       | \$ 27,600                              | \$ -        | \$ -      | \$ 27,600       |
| Buildings and improvements | 270,220                                | -           | -         | 270,220         |
| Furniture and fixtures     | 1,250                                  | 2,583       | -         | 3,833           |
| Equipment                  | 14,862                                 | -           | -         | 14,862          |
| Vehicles                   | 38,839                                 | 1,590       | 3,894     | 36,535          |
| Total book value           | 352,771                                | 4,173       | 3,894     | 353,050         |
| Accumulated depreciation   | 65,902                                 | 15,224      | 2,367     | 78,759          |
| Net book value             | \$ 286,869                             | \$ (11,051) | \$ 1,527  | \$ 274,291      |

FORGOTTEN CATS, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE E - NET ASSETS WITH DONOR RESTRICTIONS

At December 31, net assets with donor restrictions are available for the following purposes or period:

| Description                              | 2018      | 2017       |
|--|-----------|------------|
| PetSmart grant                           | \$ -      | \$ 8,000   |
| Bessemer National grant                  | 10,000    | 10,000     |
| Crystal Trust grant                      | -         | 50,000     |
| Welfare Foundation grant                 | 249       | 25,000     |
| Longwood Foundation grant                | 2,095     | 37,457     |
| The Maryland Department of Agriculture   | 10,430    | -          |
|  |           |            |
| Total net assets with donor restrictions | \$ 22,774 | \$ 130,457 |

Net assets released from the following donor restrictions for the years presented:

| Description  | 2018       | 2017       |
|--|------------|------------|
| Satisfaction of PetSmart grant                               | \$ 146,000 | \$ 72,000  |
| Satisfaction of Crestlea Foundation grant                    | -          | 15,000     |
| Satisfaction of Sun Trust grant                              | -          | 10,000     |
| Satisfaction of Longwood Foundation grant                    | 35,362     | 149,719    |
| Satisfaction of Crystal Trust grant                          | 50,000     | -          |
| Satisfaction of The PETCO Foundation grant                   | 14,000     | 25,000     |
| Satisfaction of Welfare Foundation grant                     | 24,751     | -          |
| Satisfaction of The Maryland Department of Agriculture grant | 18,995     | -          |
| Satisfaction of The Duffield Family Foundation grant         | -          | 4,500      |
|  |            |            |
| Total released from donor restrictions                       | \$ 289,108 | \$ 276,219 |

NOTE F - RISK MANAGEMENT

The Organization purchases commercial insurance policies in response to potential risks of loss related to torts; theft, damage or destruction of assets; injuries to employees; errors or omissions; or acts of God. Payment of premiums for such policies is recorded as an expense, and the insurance settlements have not exceeded insurance coverage for the years presented.



FORGOTTEN CATS, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE G - COMMITMENTS AND CONTINGENCIES

In the normal course of business, there are various outstanding commitments and contingencies in addition to the normal purchases of goods and services. The Organization does not anticipate losses from the commitments and contingencies.

*Leasing Arrangement*

At December 31, 2011, the Organization was the lessee of one location for the purpose of providing low-cost spay/neuter services [TNR] and follow-up medical care. The leased space is located in Willow Grove, Pennsylvania and was for a period of three years commencing August 1, 2009 and ending July 31, 2012 requiring monthly rentals of \$1,550 with an increase in the second year of the lease to \$1,625. Effective August 1, 2012, the lease was converted to a month-to-month lease. Currently, the monthly rental payment is \$1,975. The total rental expense for the years ended December 31, 2018 and 2017 amounted to \$24,200 and \$24,300, respectively.

*Self-Insurance*

The Organization is self-insured regarding unemployment risks and does not follow a policy to reserve funds to cover for such risks. The amount of potential claims, if any, cannot be determined at this time, although the Organization expects such amounts not to be material to the financial statements.

NOTE H - IMPACT OF RECENT ACCOUNTING PRONOUNCEMENTS

In May 2014, the Financial Accounting Standards Board (FASB) issued amended guidance for reporting revenue from contracts with customers. This guidance affects any entity using U.S. GAAP that either enters into contracts with customers (clients) to transfer goods or services or enters into contracts for the transfer of nonfinancial assets unless those contracts are within the scope of other standards (e.g., insurance contracts or lease contracts). The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers (clients) in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The new standard also requires enhanced disclosures regarding the nature, amount, timing, and uncertainty of revenue and the related cash flows arising from contracts with customers. The majority of the revenue of the Organization should not be affected by the new standard. The Organization continues to evaluate the impact of adoption of the new standard and how it might impact its revenue recognition policies. The standard is effective for fiscal years beginning after December 15, 2019.

FORGOTTEN CATS, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE H - IMPACT OF RECENT ACCOUNTING PRONOUNCEMENTS (CONTINUED)

In February 2016, the Financial Accounting Standards Board (FASB) issued new guidance on *Leases* to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. The new standard establishes a right-of-use (ROU) model that requires a lessee to record a ROU asset and lease liability on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating with classification affecting the pattern of expense recognition in the statement of activities and the statement of functional expenses. The new standard is effective for fiscal years beginning after December 15, 2019. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. Management is currently evaluating the impact of its adoption of the new standard, which includes compiling a list of all contracts that meet the definition of a lease under the new standard and determine the proper classification and accounting treatment, and the ultimate impact the new standard will have on the financial statements.

NOTE I – LIQUIDITY

The Organization has \$881,353 of financial assets, consisting of \$880,853 of cash and equivalents and \$500 of program revenue receivables, available within one year of the statement of financial position date (December 31, 2018). None of the Organization's financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditures within one year of the statement of financial position date, except for \$22,774.

NOTE J - SUBSEQUENT EVENTS

Management has evaluated subsequent events through the date of the auditor's report, the date on which the financial statements were available to be issued. Management has determined that no additional disclosures or adjustments are necessary to the financial statements