



WHISMAN GIORDANO
CERTIFIED PUBLIC ACCOUNTANTS

Building Extraordinary Relationships

FORGOTTEN CATS, INC.
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT
DECEMBER 31, 2021 AND 2020

FORGOTTEN CATS, INC.

TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT	1 - 2
BASIC FINANCIAL STATEMENTS	
STATEMENTS OF FINANCIAL POSITION	3
STATEMENTS OF ACTIVITIES	4 - 5
STATEMENTS OF FUNCTIONAL EXPENSES	6 - 7
STATEMENTS OF CASH FLOWS	8
NOTES TO FINANCIAL STATEMENTS	9 - 18



INDEPENDENT AUDITOR'S REPORT

Board of Directors
Forgotten Cats, Inc.
Greenville, Delaware

Opinion

We have audited the financial statements of the Forgotten Cats, Inc., which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Forgotten Cats, Inc. as of December 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 Forgotten Cats, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. 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 Forgotten Cats, Inc.'s ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

Whisman Giordano & Associates, LLC

Newark, Delaware
August 4, 2022

FORGOTTEN CATS, INC.

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2021 AND 2020

	2021	2020
ASSETS		
CURRENT ASSETS		
Cash and equivalents	\$ 1,146,204	\$ 712,109
Investments at fair value	502,615	501,395
Accounts receivable	-	-
Prepayments and other assets	26,649	110,338
Total current assets	1,675,468	1,323,842
PROPERTY AND EQUIPMENT, NET	302,544	306,963
TOTAL ASSETS	\$ 1,978,012	\$ 1,630,805
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 46,345	\$ 8,007
Accrued payroll taxes	2,447	4,393
Paycheck Protection Program loan	-	22,198
Total current liabilities	48,792	34,598
NET ASSETS		
Without donor restrictions:		
Investment in property and equipment	302,544	306,963
Available for operations	1,505,520	1,168,088
Total without donor restrictions	1,808,064	1,475,051
With donor restrictions	121,156	121,156
Total net assets	1,929,220	1,596,207
TOTAL LIABILITIES AND NET ASSETS	\$ 1,978,012	\$ 1,630,805

See accompanying notes to financial statements.

FORGOTTEN CATS, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Totals
REVENUES, GAINS, AND OTHER SUPPORT			
Contributions	\$ 589,495	\$ 97,063	\$ 686,558
Contributions in-kind	-	-	-
Allocations from federated campaigns	55,395	-	55,395
Program service fees	815,556	-	815,556
Interest income	354	-	354
Rental income	1,100	-	1,100
Gain (loss) on sale of equipment	1,101	-	1,101
Miscellaneous income	390	-	390
Paycheck Protection Program Loan Forgiveness	22,198	-	22,198
Total revenues and gains	<u>1,485,589</u>	<u>97,063</u>	<u>1,582,652</u>
Net assets released from restrictions	<u>97,063</u>	<u>(97,063)</u>	<u>-</u>
Total revenues, gains, and other support	<u>1,582,652</u>	<u>-</u>	<u>1,582,652</u>
EXPENSES AND LOSSES			
Program services	1,152,136	-	1,152,136
Management and general	16,918	-	16,918
Fundraising costs	80,585	-	80,585
Total expenses and losses	<u>1,249,639</u>	<u>-</u>	<u>1,249,639</u>
CHANGES IN NET ASSETS	333,013	-	333,013
NET ASSETS			
Beginning of year	<u>1,475,051</u>	<u>121,156</u>	<u>1,596,207</u>
End of year	<u>\$ 1,808,064</u>	<u>\$ 121,156</u>	<u>\$ 1,929,220</u>

See accompanying notes to financial statements.

FORGOTTEN CATS, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Totals
REVENUES, GAINS, AND OTHER SUPPORT			
Contributions	\$ 579,937	\$ 125,156	\$ 705,093
Contributions in-kind	8,977	-	8,977
Allocations from federated campaigns	41,823	-	41,823
Program service fees	619,716	-	619,716
Interest income	1,521	-	1,521
Rental income	1,325	-	1,325
Gain (loss) on sale of equipment	(4,612)	-	(4,612)
Miscellaneous income	24,075	-	24,075
Paycheck Protection Program Loan Forgiveness	-	-	-
Total revenues and gains	<u>1,272,762</u>	<u>125,156</u>	<u>1,397,918</u>
Net assets released from restrictions	<u>92,500</u>	<u>(92,500)</u>	<u>-</u>
Total revenues, gains, and other support	<u>1,365,262</u>	<u>32,656</u>	<u>1,397,918</u>
EXPENSES AND LOSSES			
Program services	1,122,548	-	1,122,548
Management and general	21,139	-	21,139
Fundraising costs	84,071	-	84,071
Total expenses and losses	<u>1,227,758</u>	<u>-</u>	<u>1,227,758</u>
CHANGES IN NET ASSETS	137,504	32,656	170,160
NET ASSETS			
Beginning of year	<u>1,337,547</u>	<u>88,500</u>	<u>1,426,047</u>
End of year	<u>\$ 1,475,051</u>	<u>\$ 121,156</u>	<u>\$ 1,596,207</u>

See accompanying notes to financial statements.

FORGOTTEN CATS, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2021

	Program Services	Management & General	Fund Raising	Total Expenses
EXPENSES AND LOSSES				
Salaries	\$ 52,456	\$ -	\$ 44,510	\$ 96,966
Employees other benefits	2,221	-	1,885	4,106
Payroll taxes and related costs	2,495	-	3,405	5,900
Total personnel costs	<u>57,172</u>	<u>-</u>	<u>49,800</u>	<u>106,972</u>
Nonpayroll insurance	47,314	-	-	47,314
Veterinarian fees	173,301	-	-	173,301
Professional fees	8,850	8,850	-	17,700
Supplies-medical	556,222	-	-	556,222
Supplies-food	125,829	-	-	125,829
Supplies-other	5,435	604	-	6,039
Telephone	5,082	598	299	5,979
Postage and freight	1,714	190	5,255	7,159
Occupancy costs:				
Rent	29,999	1,605	-	31,604
Utilities	25,563	1,610	-	27,173
Maintenance	21,163	1,114	-	22,277
Office expense	12,972	721	721	14,414
Information technology	6,565	346	-	6,911
Printing and publications	-	-	24,510	24,510
Dues and subscriptions	1,035	-	-	1,035
Public relations/advertising	9,795	-	-	9,795
Trapping and other expenses	31,388	-	-	31,388
Volunteer expenses	-	839	-	839
Miscellaneous	2,671	-	-	2,671
Total other expenses	<u>1,064,898</u>	<u>16,477</u>	<u>30,785</u>	<u>1,112,160</u>
Total expenses and losses before depreciation expense	1,122,070	16,477	80,585	1,219,132
Depreciation Expense	<u>30,066</u>	<u>441</u>	<u>-</u>	<u>30,507</u>
TOTAL EXPENSES AND LOSSES	<u><u>\$ 1,152,136</u></u>	<u><u>\$ 16,918</u></u>	<u><u>\$ 80,585</u></u>	<u><u>\$ 1,249,639</u></u>

See accompanying notes to financial statements.

FORGOTTEN CATS, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2020

	Program Services	Management & General	Fund Raising	Total Expenses
EXPENSES AND LOSSES				
Salaries	\$ 109,558	\$ -	\$ 46,125	\$ 155,683
Employees other benefits	4,174	-	1,757	5,931
Payroll taxes and related costs	8,557	-	3,529	12,086
Total personnel costs	<u>122,289</u>	<u>-</u>	<u>51,411</u>	<u>173,700</u>
Nonpayroll insurance	38,539	-	-	38,539
Veterinarian fees	157,787	-	-	157,787
Professional fees	10,893	10,893	-	21,786
Supplies-medical	440,084	-	-	440,084
Supplies-food	161,145	-	-	161,145
Supplies-other	4,000	445	-	4,445
Telephone	3,395	400	200	3,995
Postage and freight	1,982	220	13,839	16,041
Occupancy costs:				
Rent	27,595	1,605	-	29,200
Utilities	28,908	1,610	-	30,518
Maintenance	34,629	1,823	-	36,452
Office expense	9,195	511	511	10,217
Information technology	7,321	385	-	7,706
Printing and publications	-	-	18,110	18,110
Dues and subscriptions	624	-	-	624
Public relations/advertising	8,913	-	-	8,913
Trapping and other expenses	35,157	-	-	35,157
Volunteer expenses	-	2,748	-	2,748
Miscellaneous	3,568	-	-	3,568
Total other expenses	<u>973,735</u>	<u>20,640</u>	<u>32,660</u>	<u>1,027,035</u>
Total expenses and losses before depreciation expense	1,096,024	20,640	84,071	1,200,735
Depreciation expense	<u>26,524</u>	<u>499</u>	<u>-</u>	<u>27,023</u>
TOTAL EXPENSES AND LOSSES	<u><u>\$ 1,122,548</u></u>	<u><u>\$ 21,139</u></u>	<u><u>\$ 84,071</u></u>	<u><u>\$ 1,227,758</u></u>

See accompanying notes to financial statements.

FORGOTTEN CATS, INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from contributors	\$ 708,756	\$ 706,993
Cash received from federated campaigns	55,395	41,823
Cash received from program services	815,946	643,791
Interest income received	(866)	126
Rental income received	1,100	1,325
Cash paid to employees and suppliers	(1,099,051)	(1,309,495)
Net cash flows provided (used) by operating activities	<u>481,280</u>	<u>84,563</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of short-term investments	-	-
Proceeds from short-term investments	1,101	1,395
Proceeds from Paycheck Protection Program	(22,198)	22,198
Proceeds from sale of equipment	-	2,970
Acquisition of property and equipment	(26,088)	(9,000)
Net cash flows provided (used) by investing activities	<u>(47,185)</u>	<u>17,563</u>
NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS, AND RESTRICTED CASH	434,095	102,126
CASH AND EQUIVALENTS, AND RESTRICTED CASH		
Beginning of year	<u>712,109</u>	<u>609,983</u>
End of year	<u>\$ 1,146,204</u>	<u>\$ 712,109</u>
SCHEDULE OF NONCASH INVESTING ACTIVITIES		
Contributions in-kind	\$ -	\$ 8,977
Additions to property and equipment-vehicles	-	(8,977)
Cash contributions received	<u>\$ -</u>	<u>\$ -</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 multiple PetSmart Adoption Centers in Delaware and in Pennsylvania. The Organization sterilizes an average of 1,200 cats in our two medical clinics and adopts out an average of 200 socialized cats monthly.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader. The basic financial statements and related notes are the representation of management, who is responsible for the integrity and objectivity.

Applicable Financial Reporting Framework

The financial position and the results of activities of the Organization are reported on an acceptable applicable financial reporting framework. The framework used by the Organization is in accordance with U.S. generally accepted accounting principles (GAAP). Under this financial 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 changes therein are classified as described below.

Net assets without donor restrictions are net assets not subject to restrictions imposed by the donor. Net assets without donor restrictions may be designated for specific purposes by action of the Board of Directors or may otherwise be limited by contractual agreements with outside parties.

Net assets with donor restrictions are net assets subject to donor-imposed stipulations that may or will be fulfilled by the Organization's actions and/or the passage of time, to meet stipulations, or become unrestricted at the date specified by the donor. 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 restriction.

FORGOTTEN CATS, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 various types of donor-imposed restrictions.

Allocation of Expenses by Nature and Function

Activities that represent direct conduct or direct supervision of program or other supporting activities require allocation from management and general activities. Additionally, certain costs benefit more than one function and, therefore, are allocated accordingly. The cost of providing various program and administrative activities has been summarized by function in the statement of activities as well as in the statement of functional expenses.

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 the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, 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 equivalents. All other highly liquid instruments, which are to be used for long-term purposes, are classified as long-term 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, deposits may exceed the insured account balances.

Promises 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 operation, 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)

Investments at Fair Value

The Organization holds investments with a large brokerage firm in short-term liquid instruments having original maturities of three months or less. The instruments are insured up to \$500,000 by the Securities Investor Protection Corporation (SIPC).

Prepayments and Other Assets

Payments made to vendors for goods or services benefitting periods beyond the current period are recorded as prepayments 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, 2021 and 2020, prepayments and other assets consist of prepaid insurance of \$18,584 and \$28,888, prepaid rent and other deposits of \$8,065 and \$8,065, and prepaid credit card bills of \$-0 and \$73,385, 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 disposed of, the cost and the 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 costs 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 (ASC) No. 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 was reported for the years presented.

FORGOTTEN CATS, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 corresponding 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 any donated services for the years presented. However, to fulfill its mission, the Organization depends on individuals volunteering their time.

Adoption of New Accounting Guidance

In accordance with ASU No. 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*, the Organization adheres to the key provisions in this guidance, including clarification of accounting for grants and contracts as exchange transactions or contributions, and improved guidance to distinguish between conditional and unconditional contributions. The Organization has updated the financial statements accordingly. The implementation of this guidance resulted in no changes to the prior year information as previously presented.

In addition, the Organization adopted the accounting guidance issued in Accounting Standards Codification (ASC) Section 606, *Revenues from Contracts with Customers*. The guidance establishes a five-step approach for the recognition of revenue. This approach establishes a new contract and control-based revenue recognition model and changes the basis for deciding when revenue is recognized over time or at a point in time and expands disclosures about revenue. The implementation of this guidance resulted in no changes in the manner the Organization recognizes revenue.

FORGOTTEN CATS, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Advertising (Public Relations) Costs

Advertising costs are expensed as incurred. For the years ended December 31, 2021 and 2020, total advertising costs are \$9,795 and \$7,833, respectively.

Income Tax Status

The Organization is exempt from federal and state income taxes under the provisions of 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 has been classified as one that is not a private foundation within the meaning of Section 509(a) of the IRS Code and qualifies for deductible contributions as provided in Section 170(b)(1)(A).

Although the Organization is not subject to federal and state income taxes, the Organization is required to adhere to ASC 740, *Accounting for Income Taxes*, which applies to all entities including those that are tax exempt under Section 501(c)(3). ASC 740 clarifies the accounting and reporting for income taxes where interpretation of the tax law may be uncertain. ASC 740 prescribes a comprehensive model for the financial statement recognition, measurement, presentation, and disclosure of income tax uncertainties with respect to positions taken or expected to be taken in income tax returns.

Management has reviewed its current and past federal income tax positions and has determined, based on clear and unambiguous tax law and regulations, that the tax positions taken are certain and that there is no likelihood that a material tax assessment would be made if the respective government agency examined the tax returns subject to audit. Accordingly, no provision for the effects of uncertain tax positions has been recorded.

The prior three tax years are open and subject to examination by the IRS. However, the Organization is not currently under audit nor has the Organization been contacted. Any interest and penalties related to income taxes would be recorded as income tax expense. No interest and penalties were recorded for the years presented.

NOTE C - CONCENTRATION OF CREDIT RISK

At December 31, 2021 and 2020, deposits are held by certain financial institutions, and these deposits are insured by the Federal Deposit Insurance Corporation (FDIC). Deposits totaling \$1,190,678 (book balance of \$1,146,204) and \$758,752 (book balance of \$712,109) held by two of the financial institutions were in excess of the FDIC insurance limits by \$690,678 and \$467,191, respectively. Deposits in excess (or non-coverage) of FDIC insurance are exposed to custodial credit risk. Custodial credit risk is the risk that in the event of a financial institution failure, the deposits may not be returned to the Organization. The deposits are held in highly rated financial institutions, thus limiting its exposure.

FORGOTTEN CATS, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE D - PROPERTY AND EQUIPMENT

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

Description	As of and Year Ended December 31, 2021			
	Beginning Balances	Additions	Deletions	Ending Balances
Land	\$ 27,600	\$ -	\$ -	\$ 27,600
Buildings and improvements	328,659	2,096	-	330,755
Furniture and fixtures	3,833	23,992	-	27,825
Equipment	23,862	-	-	23,862
Vehicles	64,142	-	-	64,142
Total book value	448,096	26,088	-	474,184
Accumulated depreciation	141,133	30,507	-	171,640
Net book value	<u>\$ 306,963</u>	<u>\$ (4,419)</u>	<u>\$ -</u>	<u>\$ 302,544</u>

Description	As of and Year Ended December 31, 2020			
	Beginning Balances	Additions	Deletions	Ending Balances
Land	\$ 27,600	\$ -	\$ -	\$ 27,600
Buildings and improvements	328,659	-	-	328,659
Furniture and fixtures	3,833	-	-	3,833
Equipment	14,862	9,000	-	23,862
Vehicles	67,012	8,977	11,847	64,142
Total book value	441,966	17,977	11,847	448,096
Accumulated depreciation	117,066	27,023	2,956	141,133
Net book value	<u>\$ 324,900</u>	<u>\$ (9,046)</u>	<u>\$ 8,891</u>	<u>\$ 306,963</u>

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 and/or periods:

Description	2021	2020
Bessemer National Gift Fund grant - Purchase of a car	\$ 10,000	\$ 10,000
Crystal Trust grant - Capital roofing improvements	36,000	36,000
Petsmart Grant - Support adoption Program	50,000	50,000
Maryland Department of Agriculture - TNVR Program for feral cats	25,156	25,156
Total net assets with donor restrictions	\$ 121,156	\$ 121,156

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

Description	2021	2020
Satisfaction of Alexandra Marty Murphy grant	\$ 1,750	\$ -
Satisfaction of Margaret MacDonald grant	10,000	-
Satisfaction of Jean and Aaron Martin Foundation grant	3,000	-
Satisfaction of Joseph Robert Foundation grant - TVNR in Chester	5,000	3,000
Satisfaction of Athletes for Animals grant	1,000	-
Satisfaction of The PETCO Foundation grant - Targetted TNVR	15,000	5,000
Satisfaction of WSFS grant	1,000	-
Satisfaction of Maryland Department of Agriculture - TNVR Program for feral cats	60,313	-
Satisfaction of PetSmart grant - Support Adoption Program	-	22,500
Satisfaction of Healthy Paws Foundation - Humanely reduce homeless cat pouplation	-	20,000
Satisfaction of Delaware Community Foundation - Adoption preparation	-	7,000
Satisfaction of Strine Foundation - Anesthesia Machine	-	15,000
Satisfaction of Marcon - Annual Appeal Matching grant	-	20,000
Total released from donor restrictions	\$ 97,063	\$ 92,500

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. The payment of premiums for such policies is recorded as an expense, and 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 certain space located in Willow Grove, Pennsylvania for the purpose of providing low-cost spay/neuter services (TNR) and follow-up medical care. The lease 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 \$2,075. Total rent for the years ended December 31, 2021 and 2020 is \$31,604 and \$29,200, 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 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, 2021. 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 to determine the proper classification and accounting treatment, and the ultimate impact the new standard will have on the financial statements. The implementation date has been extended for another year for non-public entities which includes the Organization.

FORGOTTEN CATS, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE I - LIQUIDITY

The Organization has \$1,648,819 of financial assets, consisting of \$1,146,204 of cash and equivalents, and \$502,615 of short-term investments, available within one year of the statement of financial position date (December 31, 2021). 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 \$121,156 of net assets with donor restrictions.

NOTE J - STATEMENT OF CASH FLOWS

Statement of Cash Flows (Topic 230): *Restricted Cash* requires the statement of cash flows to explain the change during the period in the total of cash and equivalents, and restricted cash. Restricted cash can be included with cash and equivalents when reconciling the beginning-of-period and end-of-period total amounts shown in the statement of cash flows. The Organization does not segregate donor restricted deposits from deposits that are not donor restricted; therefore, there was no significant change in statement of cash flows beginning of period cash balance.

NOTE K - OTHER RISKS

On January 20, 2020, the World Health Organization (WHO) announced a global health emergency due to a new strain of coronavirus originating in Wuhan, China (Covid-19 outbreak) and the risks to the international community as the virus spread globally and throughout the United States. On March 2020, the WHO classified the Covid-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The Organization is dependent on program service fees and contributions, as well as other revenue sources. Social distancing and shelter-in-place directives have a direct impact on the Organization's ability to maintain its operations.

The full impact of the pandemic continues to evolve as of the auditor's report date. It is uncertain as to the full magnitude that it will have on the Organization's financial condition, liquidity and fair value of investments, and future results of operations. Given the daily evolution of the pandemic, and the global and United States responses to curb its spread, the Organization is unable to estimate the ultimate impact on its future financial condition and results of operations.

FORGOTTEN CATS, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE L - PAYCHECK PROTECTION PROGRAM

In accordance with Section 1102 of the *Coronavirus Aid, Relief, and Economic Security Act* (CARES Act), the Organization applied for a Paycheck Protection Program (PPP) loan of \$22,198 and received it on May 13, 2020, based on the federal government's payroll formula. Section 1106 of the CARES Act provides for forgiveness of up to the full principal amount of a qualifying loan including the accrued interest to the extent the Organization incurs certain qualifying expenses and maintains a certain level of average full-time equivalent employees during the measurement period following closing of the loan. Any portion of the loan not forgiven has a term of two years with an interest rate of 1%.

On March 16, 2021, the Organization received forgiveness for the full amount of the PPP loan.

NOTE M - SUBSEQUENT EVENTS

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