Report of Independent Auditor

FORGOTTEN CATS, INC.
Greenville, Delaware

Years Ended
December 31, 2015 and 2014

HAGGERTY & HAGGERTY, P.A.
CERTIFIED PUBLIC ACCOUNTANTS
& MANAGEMENT CONSULTANTS

FORGOTTEN CATS, INC.

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HAGGERTY & HAGGERTY, P.A.
CERTIFIED PUBLIC ACCOUNTANTS
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American Institute of CPA
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Private Companies Practice Section

Report of Independent Auditor

To the Members of the Board
Forgotten Cats, Inc.
Greenville, Delaware

Report of 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, 2015 and 2014, and the related statements of activities, functional expenses, and cash flows for 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, the implementation, and the 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 Organization'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.

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, 2015 and 2014, 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.

Haggerty & Haggerty, P.A.
Certified Public Accountants

August 24, 2016
Wilmington, Delaware

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FORGOTTEN CATS, INC.
STATEMENTS OF FINANCIAL POSITION
As of December 31, 2015 and 2014

	2015	2014
ASSETS		
Cash and equivalents	$ 486,306	$ 270,236
Prepayments and other assets	7,245	7,487
Property and equipment, net of depreciation	273,402	280,346
TOTAL ASSETS	$ 766,953	$ 558,069
LIABILITIES		
Accounts payable	$ 8,249	$ 10,717
Note payable-officer	...	70,501
Total liabilities	8,249	81,218
NET ASSETS		
Investment in property and equipment	273,402	209,845
Undesignated	364,802	267,006
Total unrestricted	638,204	476,851
Temporarily restricted	120,500	...
Total net assets	758,704	476,851
TOTAL LIABILITIES AND NET ASSETS	$ 766,953	$ 558,069

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

FORGOTTEN CATS, INC.
STATEMENTS OF ACTIVITIES
Years Ended December 31, 2015 and 2014

	2015			2014		
	Unrestricted	Temporarily Restricted	Totals	Unrestricted	Temporarily Restricted	Totals
REVENUES, GAINS, AND OTHER SUPPORT						
Contributions	$ 266,501	$ 207,500	$ 474,001	$ 258,167	$ ...	$ 258,167
Contributions in-kind	5,526	...	5,526	3,586	...	3,586
Special events revenue	...	...	...	3,370	...	3,370
Allocations from federated campaigns	38,688	...	38,688	32,842	...	32,842
Program service fees	366,124	...	366,124	396,567	...	396,567
Rental revenue	...	...	...	7,600	...	7,600
Interest income	83	...	83	54	...	54
Gain (loss) on disposal of equipment	3,173	...	3,173	(1,838)	...	(1,838)
Miscellaneous revenue	...	...	...	210	...	210
Total revenues and gains	680,095	207,500	887,595	700,558	...	700,558
Net assets released from restriction	87,000	(87,000)	...	44,635	(44,635)	...
Total revenues, gains, and other support	767,095	120,500	887,595	745,193	(44,635)	700,558
EXPENSES AND LOSSES						
Program services	579,996	...	579,996	675,425	...	675,425
Management and general	14,451	...	14,451	13,146	...	13,146
Fundraising expenses	11,295	...	11,295	11,074	...	11,074
Special events expense	...	...	...	179	...	179
Total expenses and losses	605,742	...	605,742	699,824	...	699,824
CHANGES IN NET ASSETS	161,353	120,500	281,853	45,369	(44,635)	734
NET ASSETS						
Beginning of year	476,851	...	476,851	431,482	44,635	476,117
End of year	$ 638,204	$ 120,500	$ 758,704	$ 476,851	$ ...	$ 476,851

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

FORGOTTEN CATS, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
Years Ended December 31, 2015 and 2014

	2015				2014			
	Program Services	Management & General	Fund Raising	Total Expenses	Program Services	Management & General	Fund Raising	Total Expenses
EXPENSES AND LOSSES								
Salaries	$ 34,620	$ ...	$ ...	$ 34,620	$ 41,600	$ ...	$ ...	$ 41,600
Employees other benefits	13,479	...	...	13,479	15,770	...	...	15,770
Payroll taxes, etc.	2,650	...	...	2,650	3,182	...	...	3,182
Total personnel costs	50,749	...	...	50,749	60,552	...	...	60,552
Nonpayroll insurance	17,061	...	...	17,061	15,703	...	...	15,703
Veterinarian fees	72,030	...	...	72,030	91,575	...	...	91,575
Professional fees	6,516	6,517	...	13,033	6,179	6,179	...	12,358
Supplies-medical	104,873	...	...	104,873	98,544	...	...	98,544
Supplies-food and other	182,838	...	...	182,838	237,330	...	...	237,330
Supplies-other	1,882	209	...	2,091	1,660	184	...	1,844
Telephone	5,467	608	...	6,075	4,906	545	...	5,451
Postage and freight	2,400	267	2,713	5,380	1,176	131	3,214	4,521
Occupancy costs:								
Rent	23,701	1,247	...	24,948	20,187	1,063	...	21,250
Utilities	19,324	1,017	...	20,341	21,448	1,129	...	22,577
Maintenance	7,476	393	...	7,869	10,520	554	...	11,074
Insurance	3,879	204	...	4,083	3,542	186	...	3,728
Interest expense	3,233	170	...	3,403	3,714	196	...	3,910
Office expense	2,450	129	...	2,579	2,325	122	...	2,447
Information technology	4,162	219	...	4,381	3,539	186	...	3,725
Equipment maintenance	1,073	...	...	1,073	909	...	...	909
Printing and publications	7,795	...	8,582	16,377	...	...	7,860	7,860
Dues and subscriptions	...	277	...	277	...	444	...	444
Public relations/advertising	2,752	306	...	3,058	5,630	626	...	6,256
Trapping and other expenses	47,654	...	...	47,654	71,814	...	...	71,814
Volunteer expenses	1,899	...	...	1,899	382	...	...	382
Miscellaneous	...	2,619	...	2,619	...	1,333	...	1,333
Special events expense	...	...	...	...	...	...	179	179
Total other expenses	518,465	14,182	11,295	543,942	601,083	12,878	11,253	625,214
TOTAL EXPENSES AND LOSSES BEFORE DEPRECIATION EXPENSE	569,214	14,182	11,295	594,691	661,635	12,878	11,253	685,766
Depreciation expense	10,782	269	...	11,051	13,790	268	...	14,058
TOTAL EXPENSES AND LOSSES	$ 579,996	$ 14,451	$ 11,295	$ 605,742	$ 675,425	$ 13,146	$ 11,253	$ 699,824

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

FORGOTTEN CATS, INC.
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2015 and 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from contributors	$ 474,001	$ 261,537
Cash received from federated campaigns	38,688	32,842
Cash received from program services	366,124	396,567
Rental revenue received	...	7,600
Other revenue received	...	210
Interest income received	83	54
Cash paid to employees and suppliers	(593,514)	(684,263)
Interest paid	(3,403)	(3,910)
Net cash provided (used) by operating activities	281,979	10,637
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	...	...
Proceeds from sale of property and equipment	4,592	9,300
Net cash provided (used) by investing activities	4,592	9,300
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of note payable-officer	(70,501)	(10,197)
Net cash provided (used) by financing activities	(70,501)	(10,197)
NET INCREASE IN CASH AND EQUIVALENTS	216,070	9,740
CASH AND EQUIVALENTS		
Beginning of year	270,236	260,496
End of year	$ 486,306	$ 270,236

Continued . . .

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

	2015	2014
RECONCILIATION OF CHANGES IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Changes in net assets	$ 281,853	$ 734
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:		
Depreciation	11,051	14,058
Contributions in-kind	(5,526)	(3,586)
(Gain)/loss on disposal of equipment	(3,173)	1,838
Changes in assets and liabilities:		
Prepayments and other assets	242	(1,897)
Accounts payable	(2,468)	(510)
Deferred rent	...	...
Total adjustments	126	9,903
Net cash provided (used) by operating activities	$ 281,979	$ 10,637

SCHEDULE OF NONCASH INVESTING ACTIVITIES

	2015	2014
Sale and/or disposal of property and equipment:		
Cost basis of vehicles	$ 1,822	$ 13,716
Add: Gain on disposal of vehicles	3,173	385
Less: Accumulated depreciation	403	4,801
Loss on disposal of vehicles	...	...
Proceeds received from sale	$ 4,592	$ 9,300
Addition to property and equipment:		
Vehicles	$ 5,526	$ 3,586
Less: Contributions in-kind	5,526	3,586
Acquisition of property and equipment	$ ...	$ ...

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

NOTE 1 - NATURE OF THE ORGANIZATION

Forgotten Cats, Inc.'s [the "Organization"] mission is to humanely reduce the homeless and unwanted cat population through Trap/Neuter/Return [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 2 - 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 financial statements and related notes are representations of management, who is responsible for their integrity and objectivity.

Basis of Presentation

The financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards' Accounting Standards Codification [FASB ASC] Topic 958, *Not-for-Profit Entities*. Under FASB ASC Topic 958, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The net assets and revenues, expenses, gains and losses are classified based on the existence or the absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Unrestricted net assets are net assets that are not subject to donor-imposed restrictions. The unrestricted net assets may be designated for specific purposes by action of the Board of Directors or may otherwise be limited by contractual agreements with outside parties.

Temporarily restricted net assets are net assets subject to donor-imposed stipulations that may or will be fulfilled by the Organization's actions and/or passage of time, to meet the stipulations or become unrestricted at the date specified by the donor. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restriction.

Permanently restricted net assets are net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors permit the Organization to use all or part of the net investment return for general or specific purposes. The Organization has no permanently restricted net assets for the years presented.

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, the actual results could differ from those estimates.

Basis of Accounting

The Organization's policy is to prepare the financial statements on the accrual basis of accounting and accordingly, reflect all significant receivables, payables, and other liabilities.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Equivalents

For purposes of the statement of cash flows, the Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

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 operations, and an analysis of the collectability of the individual pledges received.

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

Prepayments and Other Assets

Payments made to vendors for goods and services that will benefit 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 services are consumed.

Property and Equipment

Property and equipment is carried at cost and consists of land, buildings, 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.

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

Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor restricted the donated capital asset to a specific purpose. The capital assets donated with explicit restrictions regarding their use, and contributions of cash that are used to acquire property and equipment, are reported as restricted support. Absent donor stipulations regarding how long those donated capital assets must be maintained, the Organization reports expirations of the donor restrictions when the donated or acquired capital assets are placed in service as instructed by the donor. The Organization reclassifies the temporarily restricted net assets to unrestricted net assets at that time.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 meeting the criteria for the years presented. To fulfill its mission, the Organization depends on individuals volunteering their time to perform a variety of tasks.

Impairment of Long-Lived Assets

In accordance with the Financial Accounting Standards Board statement on *Accounting for the Impairment or Disposal of Long-Lived Assets*, the Organization reviews its capital assets for impairment whenever events or changes in circumstances indicate that the carrying value of a capital asset may not be recoverable. If the fair value is less than the carrying amount of a capital asset, an impairment loss is recognized for the difference. No impairment loss was recognized for the years presented.

Advertising [Public Relations] Costs

The Organization uses advertising to promote its various programs and activities among the public it serves. The production costs of advertising are expensed the first time the advertising takes place. The Organization incurred advertising costs of $3,058 and $6,256 for the years presented.

Expense Allocation

The cost of providing various programs and activities has been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Such allocations are reflected in the statement of functional expenses.

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)(1)(A) and has been classified as an organization that is not a private foundation.

The Financial Accounting Standards Board on statements pertaining to the *accounting for uncertainty in income taxes* recognized in the financial statements prescribes a recognition threshold and measurement attribute for the 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 three prior fiscal years are subject to examination by the IRS, generally for three years after the returns are filed. The tax positions taken by the Organization during these years are based on clear and unambiguous tax law; management has a high level of confidence in the technical merits of the positions taken.

NOTE 3 - CONCENTRATION OF CREDIT RISK

At December 31, 2015 and 2014, the Organization's cash deposits are held by two financial institutions, and the deposits are insured by the Federal Deposit Insurance Corporation [FDIC]. These deposits totaling $488,925 [book balance of $486,306] and $245,791 [book balance of $270,236] held by the two financial institutions were in excess of FDIC insurance limits in the amount of $180,402 and $0, respectively. Any excess of FDIC insurance [or non-coverage] is 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 4 - PROPERTY AND EQUIPMENT

The following is a summary of the annual changes to property and equipment:

	As of and Year Ended December 31, 2015			
Description	Beginning Balances	Additions	Deletions	Ending Balances
Land	$ 27,600	$ ...	$ ...	$ 27,600
Buildings	270,220	...	...	270,220
Furniture and fixtures	1,250	...	...	1,250
Equipment	14,862	...	...	14,862
Vehicles	13,955	5,526	1,822	17,659
Total book value	327,887	5,526	1,822	331,591
Accumulated depreciation	47,541	11,051	403	58,189
Net book value	$ 280,346	$ (5,525)	$ 1,419	$ 273,402

	As of and Year Ended December 31, 2014			
Description	Beginning Balances	Additions	Deletions	Ending Balances
Land	$ 27,600	$ ...	$ ...	$ 27,600
Buildings	270,220	...	...	270,220
Furniture and fixtures	1,250	...	...	1,250
Equipment	14,862	...	...	14,862
Vehicles	32,013	3,586	21,644	13,955
Total book value	345,945	3,586	21,644	327,887
Accumulated depreciation	43,989	14,058	10,506	47,541
Net book value	$ 301,956	$ (10,472)	$ 11,138	$ 280,346

NOTE 5 – NOTE PAYABLE-OFFICER

The principal maturities of long-term debt consist of the following:

Description	2015	2014
Note payable to an officer of the Organization in the original amount of $110,000. The mortgage note carried a fixed interest rate of 5.00%, was for a term of 10 years ending 11/01/20, and required monthly payments of $1,166.72. The note was issued for the purpose of purchasing buildings located in the Borough of Trainer, Pennsylvania. The note was repaid in full in December 2015.	$ ...	$ 70,501

Total interest cost incurred is $3,403 and $3,910 for years ended December 31, 2015 and 2014, respectively, all of which is charged to operations.

NOTE 6 - RESTRICTION ON NET ASSETS

At December 31, temporarily restricted net assets are available for the following purposes or periods:

Description	2015	2014
PetSmart grant requirements	$ 20,500	$ ...
Longwood Foundation grant requirements	100,000	...
Total restricted net assets	$ 120,500	$ ...

Net assets were released from the following restriction for the years presented:

Description	2015	2014
Satisfaction of PetSmart grant requirements	$ 82,000	$ 44,635
Satisfaction of Animal Rescues in Pennsylvania	5,000	...
Total released from restriction	$ 87,000	$ 44,635

NOTE 7 - COMMITMENTS AND CONTINGENCIES

In the normal course of business, there are outstanding various 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. Total rental expense incurred is $24,948 and $21,250 for the years presented.

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 to be immaterial to the financial statements.

Litigation

In the ordinary course of business, the Organization may become involved in litigation; and losses from such litigation are generally covered by insurance. As of December 31, 2015, the Organization was involved in one dispute which is being defended by the Organization’s insurance company.

NOTE 8 - 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.

NOTE 9 - EVALUATION OF 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.