

Report of Independent Auditor

FORGOTTEN CATS, INC.
Greenville, Delaware

Years Ended
December 31, 2010 and 2009



HAGGERTY & HAGGERTY, P.A.

CERTIFIED PUBLIC ACCOUNTANTS
& MANAGEMENT CONSULTANTS

FORGOTTEN CATS, INC.

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**CERTIFIED PUBLIC ACCOUNTANTS
& MANAGEMENT CONSULTANTS**

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Report of Independent Auditor

Board of Directors
Forgotten Cats, Inc.
Greenville, Delaware

We have audited the accompanying statements of financial position of Forgotten Cats, Inc. [a nonprofit organization] as of December 31, 2010 and 2009, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of Forgotten Cats, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our 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, 2010 and 2009, the changes in net assets and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Certified Public Accountants

November 8, 2011
Wilmington, Delaware

FORGOTTEN CATS, INC.
 STATEMENTS OF FINANCIAL POSITION
 December 31, 2010 and 2009

	2010	2009
ASSETS		
Cash and equivalents	\$ 151,521	\$ 198,395
Certificate of deposit	...	39,201
Accounts receivable	1,570	400
Unconditional promises to give	8,000	...
Prepayments and other assets	6,078	5,988
Property and equipment, net	<u>306,389</u>	<u>17,408</u>
TOTAL ASSETS	<u>\$ 473,558</u>	<u>\$ 261,392</u>
LIABILITIES		
Accounts payable	\$ 18,240	\$ 4,703
Note payable-officer	<u>109,120</u>	<u>...</u>
Total liabilities	<u>127,360</u>	<u>4,703</u>
NET ASSETS		
Unrestricted:		
Investment in property and equipment	197,269	17,408
Undesignated	<u>148,929</u>	<u>239,281</u>
Total unrestricted	346,198	256,689
Temporarily restricted	<u>...</u>	<u>...</u>
Total net assets	<u>346,198</u>	<u>256,689</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 473,558</u>	<u>\$ 261,392</u>

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

FORGOTTEN CATS, INC.
STATEMENTS OF ACTIVITIES
Years Ended December 31, 2010 and 2009

	2010			2009		
	Unrestricted	Temporarily Restricted	Totals	Unrestricted	Temporarily Restricted	Totals
REVENUES, GAINS, AND OTHER SUPPORT						
Contributions	\$ 131,968	\$...	\$ 131,968	\$ 188,459	\$...	\$ 188,459
Contributions-bequests	93,000	...	93,000	...	...	...
Special events revenue	10,416	...	10,416	13,517	...	13,517
Allocations-other organizations	26,481	...	26,481	21,012	...	21,012
Program service fees	445,619	...	445,619	410,443	...	410,443
Interest income	1,117	...	1,117	1,441	...	1,441
Gain (loss) on disposal of equipment	...	...	...	(1,721)	...	(1,721)
Miscellaneous revenue	3,500	...	3,500	2,447	...	2,447
Total revenues and gains	<u>712,101</u>	<u>...</u>	<u>712,101</u>	<u>635,598</u>	<u>...</u>	<u>635,598</u>
Net assets released from restriction	...	...	...	...	...	...
Total revenues, gains, and other support	<u>712,101</u>	<u>...</u>	<u>712,101</u>	<u>635,598</u>	<u>...</u>	<u>635,598</u>
EXPENSES AND LOSSES						
Program services	578,698	...	578,698	602,712	...	602,712
Supporting services:						
Management and general	20,100	...	20,100	15,442	...	15,442
Fundraising expense	19,352	...	19,352	18,776	...	18,776
Special events expense	4,442	...	4,442	4,260	...	4,260
Total expenses and losses	<u>622,592</u>	<u>...</u>	<u>622,592</u>	<u>641,190</u>	<u>...</u>	<u>641,190</u>
CHANGES IN NET ASSETS (LIABILITIES)	89,509	...	89,509	(5,592)	...	(5,592)
NET ASSETS						
Beginning of year	<u>256,689</u>	<u>...</u>	<u>256,689</u>	<u>262,281</u>	<u>...</u>	<u>262,281</u>
End of year	<u>\$ 346,198</u>	<u>\$...</u>	<u>\$ 346,198</u>	<u>\$ 256,689</u>	<u>\$...</u>	<u>\$ 256,689</u>

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

FORGOTTEN CATS, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

Years Ended December 31, 2010 and 2009

	2010				2009			
	Program Services	Supporting Management & General	Supporting Fund Raising	Total Expenses	Program Services	Supporting Management & General	Supporting Fund Raising	Total Expenses
EXPENSES AND LOSSES								
Salaries	\$ 952	\$...	\$...	\$ 952	\$ 32,338	\$...	\$...	\$ 32,338
Employees other benefits	835	...	...	835	5,160	...	...	5,160
Payroll taxes, etc.	73	...	...	73	2,474	...	...	2,474
Total personnel costs	1,860	...	...	1,860	39,972	...	...	39,972
Nonpayroll insurance	9,531	...	...	9,531	8,105	...	...	8,105
Veterinarian fees	105,957	...	...	105,957	108,019	...	...	108,019
Professional fees	6,154	6,154	4,310	16,618	4,000	3,095	7,049	14,144
Supplies-medical	234,133	...	...	234,133	250,935	...	...	250,935
Supplies-food and other	96,729	...	...	96,729	86,143	...	...	86,143
Supplies-other	933	104	...	1,037	2,190	244	...	2,434
Telephone	8,014	890	...	8,904	7,864	874	...	8,738
Postage and freight	1,622	180	1,932	3,734	2,864	318	6,097	9,279
Occupancy cost-rent	31,920	1,680	...	33,600	29,700	3,300	...	33,000
Occupancy cost-utilities	27,259	1,435	...	28,694	18,601	2,067	...	20,668
Occupancy cost-maintenance	20,947	1,102	...	22,049	8,201	911	...	9,112
Interest expense	272	14	...	286	...	...	...	...
Office expense	2,500	132	...	2,632	1,804	200	...	2,004
Information technology	2,323	122	...	2,445	2,726	303	...	3,029
Equipment maintenance	475	...	...	475	693	...	...	693
Printing and publications	...	...	13,110	13,110	...	...	5,630	5,630
Transportation and travel	7,813	...	...	7,813	6,671	...	...	6,671
Dues and subscriptions	...	993	...	993	...	1,087	...	1,087
Public relations	4,302	478	...	4,780	9,127	1,014	...	10,141
Trapping and other expenses	8,613	...	...	8,613	9,206	...	...	9,206
Volunteer expenses	820	...	...	820	2,200	...	...	2,200
Miscellaneous	...	6,598	...	6,598	...	2,029	...	2,029
Special events expense	...	...	4,442	4,442	...	...	4,260	4,260
Total other expenses	570,317	19,882	23,794	613,993	559,049	15,442	23,036	597,527
TOTAL EXPENSES AND LOSSES BEFORE DEPRECIATION	572,177	19,882	23,794	615,853	599,021	15,442	23,036	637,499
Depreciation	6,521	218	...	6,739	3,691	...	...	3,691
TOTAL EXPENSES AND LOSSES	\$ 578,698	\$ 20,100	\$ 23,794	\$ 622,592	\$ 602,712	\$ 15,442	\$ 23,036	\$ 641,190

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

FORGOTTEN CATS, INC.
 STATEMENTS OF CASH FLOWS
 Years Ended December 31, 2010 and 2009

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from contributors	\$ 227,384	\$ 201,976
Cash received from other organizations	26,481	21,012
Cash received from program services	444,449	410,043
Other revenues received	3,500	2,447
Interest income received	1,117	1,441
Cash paid to employees and suppliers	(602,120)	(641,121)
Interest paid	(286)	...
Net cash provided (used) by operating activities	<u>100,525</u>	<u>(4,202)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	(295,720)	(8,176)
Maturity of certificate of deposit	39,201	38,688
Purchase of certificate of deposit	...	(39,201)
Net cash provided (used) by investing activities	<u>(256,519)</u>	<u>(8,689)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from new financing-officer	110,000	...
Repayment of note payable-officer	(880)	...
Net cash provided (used) by financing activities	<u>109,120</u>	<u>...</u>
NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS	<u>(46,874)</u>	<u>(12,891)</u>
CASH AND EQUIVALENTS		
Beginning of year	<u>198,395</u>	<u>211,286</u>
End of year	<u>\$ 151,521</u>	<u>\$ 198,395</u>

Continued . . .

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

FORGOTTEN CATS, INC.STATEMENTS OF CASH FLOWS (continued)
Years Ended December 31, 2010 and 2009

	2010	2009
RECONCILIATION OF CHANGES IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Changes in net assets (liabilities)	\$ 89,509	\$ (5,592)
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:		
Depreciation	6,739	3,691
Loss on disposal of equipment	...	1,721
Changes in assets and liabilities:		
Accounts receivable	(1,170)	(400)
Unconditional promises to give	(8,000)	...
Prepayments and other assets	(90)	(5,988)
Accounts payable	13,537	4,703
Other current liabilities	...	(2,337)
Total adjustments	<u>11,016</u>	<u>1,390</u>
Net cash provided (used) by operating activities	<u>\$ 100,525</u>	<u>\$ (4,202)</u>

SCHEDULE OF NONCASH INVESTING ACTIVITIES

Disposal of equipment:		
Cost basis		\$ 2,444
Less: Accumulated depreciation		723
Loss on disposal of equipment		<u>1,721</u>
Proceeds received from disposal		<u>\$...</u>

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

NOTE 1 - NATURE OF THE ORGANIZATION

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

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 notes are representations of management, who is responsible for their integrity and objectivity.

Basis of Presentation

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. Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions as follows:

Unrestricted-Net assets that are not subject to donor-imposed restrictions. 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 that are subject to donor-imposed stipulations that may or will be fulfilled by Forgotten Cats' actions and/or the 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. Forgotten Cats had no such net assets for the years presented.

Permanently restricted-Net assets that are subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donor(s) permit the Organization to use all or part of the net investment return for general or specific purposes. Forgotten Cats had no such net assets for the years presented.

Use of Estimates

The 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Accounting

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

Cash and Equivalents

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

Certificate of Deposit

At December 31, 2009, Forgotten Cats was invested in a 12 month certificate of deposit held by a local financial institution carrying an interest rate of 1.786% with a maturity date of April 28, 2010.

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 the Organization operates, and an analysis of the collectibility of the individual pledges.

Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Property and Equipment

Property and equipment is carried at cost and consists of land, buildings, furniture and fixtures, equipment, and vehicles. The expenditures for maintenance and repairs are 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. Forgotten Cats 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

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 the capital asset, an impairment loss is recognized for the difference. No impairment loss has been recognized for calendar years presented.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Donated Assets

Donated marketable securities and other noncash donations are recorded as contributions at their estimated fair values 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. 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, Forgotten Cats reports expirations of donor restrictions when the donated or acquired capital assets are placed in service as instructed by the donor. Forgotten Cats reclassifies the temporarily restricted net assets to unrestricted net assets at that time.

Donated Services

Forgotten Cats 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. Forgotten Cats did not receive any donated services that met this criteria for the years presented.

Advertising [Public Relations] Costs

Forgotten Cats expenses advertising costs as they are incurred. The Organization incurred advertising costs of \$4,780 and \$10,141 for the calendar years 2010 and 2009, respectively.

Expense Allocation

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

Reclassifications

Certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

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 are necessary.

FORGOTTEN CATS, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Tax Status

Forgotten Cats, Inc. is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue 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 [when present] prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of tax position(s) taken or expected to be taken on a tax return. The federal returns of Forgotten Cats for calendar years 2007, 2008 and 2009 are subject to examination by the IRS, generally for three years after they are filed. The tax positions taken by Forgotten Cats 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 - PROPERTY AND EQUIPMENT

The following is a summary of changes in property and equipment:

Description	Year Ended December 31, 2010			
	Beginning Balances	Additions	Deletions	Ending Balances
Land	\$...	\$ 27,600	\$...	\$ 27,600
Buildings	...	263,120	...	263,120
Furniture and fixtures	1,250	...	...	1,250
Equipment	14,862	...	...	14,862
Vehicles	7,685	5,000	...	12,685
Total book value	23,797	295,720	...	319,517
Accumulated depreciation	6,389	6,739	...	13,128
Net book value	\$ 17,408	\$ 288,981	\$...	\$ 306,389

Description	Year Ended December 31, 2009			
	Beginning Balances	Additions	Deletions	Ending Balances
Furniture and fixtures	\$ 1,250	\$...	\$...	\$ 1,250
Equipment	9,130	8,176	2,444	14,862
Vehicles	7,685	...	...	7,685
Total book value	18,065	8,176	2,444	23,797
Accumulated depreciation	3,421	3,691	723	6,389
Net book value	\$ 14,644	\$ 4,485	\$ 1,721	\$ 17,408

FORGOTTEN CATS, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 4 - NOTE PAYABLE-OFFICER

Principal maturities of long-term debt consist of the following:

Description	2010	2009
Note payable to an officer of Forgotten Cats, in the original amount of \$110,000. The note carries a fixed interest rate of 5.00%, is for a term of 10 years ending 11/01/20, and carries monthly payments of \$1,166.72. The note was issued for the purpose of purchasing buildings located in the Borough of Trainer, Pennsylvania.	\$ 109,120	\$...
Less: Current portion	<u>8,743</u>	<u>...</u>
Long-term portion	<u>\$ 100,377</u>	<u>\$...</u>

Principal maturities of long-term debt are as follows:

Years Ending December 31	Amount
2012	\$ 9,191
2013	9,661
2014	10,155
2015	10,674
2016	11,221
2017-2020	<u>49,475</u>
Total principal maturities of long-term debt	<u>\$ 100,377</u>

Total interest cost incurred was \$880 and \$0 for the years ended December 31, 2010 and 2009, all of which was charged to operations, respectively.

NOTE 5 - LEASING ARRANGEMENTS

At December 31, 2010, Forgotten Cats 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 is for a three year period commencing August 1, 2009 and ending July 31, 2012 requiring monthly rentals of \$1,550.

The minimum future lease payments under the non-cancelable leasing arrangement having remaining terms in excess of one year as of December 31, 2010 for the remaining years in the aggregate are:

Years Ending December 31	Amount
2011	\$ 18,600
2012	<u>10,850</u>
Total minimum future rental payments required	<u>\$ 29,450</u>

Total rental expense incurred was \$33,600 and \$33,000 for the years ended December 31, 2010 and 2009, respectively.

NOTE 6 - RISK MANAGEMENT

Forgotten Cats 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 these policies is recorded as an expense of the Organization. The insurance settlements have not exceeded insurance coverage for the years presented.

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. Forgotten Cats does not anticipate losses as a result of these commitments and contingencies.

Self-Insurance

Forgotten Cats 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 cannot be determined at this time, although Forgotten Cats expects such amounts to be immaterial.