



# **Orphan Kitten Club, Inc.**

## **FINANCIAL STATEMENTS**

**YEARS ENDED DECEMBER 31, 2023 AND 2022**

**(With Independent Auditor's Report Thereon)**

# **Orphan Kitten Club, Inc.**

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# **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
Orphan Kitten Club, Inc.  
Spring Valley, CA

## **Opinion**

We have audited the accompanying financial statements of Orphan Kitten Club, Inc. (a not-for-profit organization), which comprise the statements of financial position as of December 31, 2023 and 2022, 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 financial statements referred to above present fairly, in all material respects, the financial position of Orphan Kitten Club, Inc. as of December 31, 2023 and 2022, 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. 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 Orphan Kitten Club, 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 Orphan Kitten Club, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material 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 generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, 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 Orphan Kitten Club, 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 Orphan Kitten Club, 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.

*Terra Business Solutions*

Terra Business Solutions  
Covina, California  
July 31, 2024

**ORPHAN KITTEN CLUB, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**AS OF DECEMBER 31, 2023 AND 2022**

| <b>ASSETS</b>                                                            |  |                            |                            |
|--------------------------------------------------------------------------|--|----------------------------|----------------------------|
|                                                                          |  | <u>2023</u>                | <u>2022</u>                |
| Current Assets                                                           |  |                            |                            |
| Cash and Cash Equivalents - Without Donor Restrictions (Note 2, 3, 4, 5) |  | \$ 857,911                 | \$ 815,065                 |
| Investments                                                              |  | 1,146,749                  | 970,045.00                 |
| Accounts Receivable                                                      |  | -                          | 11,034                     |
| Prepaid Assets                                                           |  | 13,299                     | 22,478                     |
| Total Current Assets                                                     |  | <u>\$ 2,017,959</u>        | <u>\$ 1,818,622</u>        |
| Long-term Assets                                                         |  |                            |                            |
| Leasehold Improvements (Note 2, 8)                                       |  | \$ 119,217                 | \$ 119,217                 |
| Accumulated Amortization                                                 |  | (27,589)                   | (15,667)                   |
| Total Long-term Assets                                                   |  | <u>\$ 91,628</u>           | <u>\$ 103,550</u>          |
| Total Assets                                                             |  | <u><u>\$ 2,109,587</u></u> | <u><u>\$ 1,922,172</u></u> |
| <b>LIABILITIES AND NET ASSETS</b>                                        |  |                            |                            |
| Current Liabilities                                                      |  |                            |                            |
| Accrued Expenses                                                         |  | \$ 87,835                  | \$ 275,025                 |
| Total Current Liabilities                                                |  | <u>\$ 87,835</u>           | <u>\$ 275,025</u>          |
| Net Assets (Note 7)                                                      |  |                            |                            |
| Without Donor Restrictions                                               |  | \$ 2,011,752               | \$ 1,647,147               |
| With Donor Restrictions                                                  |  | -                          | -                          |
| Total Net Assets                                                         |  | <u>\$ 2,011,752</u>        | <u>\$ 1,647,147</u>        |
| Total Liabilities and Net Assets                                         |  | <u><u>\$ 2,099,587</u></u> | <u><u>\$ 1,922,172</u></u> |

The notes are an integral part of the financial statements

**ORPHAN KITTEN CLUB, INC.**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

|                                                    | December 31, 2023                |                               |                            |
|----------------------------------------------------|----------------------------------|-------------------------------|----------------------------|
|                                                    | WITHOUT<br>DONOR<br>RESTRICTIONS | WITH<br>DONOR<br>RESTRICTIONS | TOTAL                      |
| Support and Revenue                                |                                  |                               |                            |
| Revenues                                           |                                  |                               |                            |
| Contributions                                      | \$ 1,415,923                     | \$ -                          | \$ 1,415,923               |
| Interest and Dividend Income                       | 18,596                           | -                             | 18,596                     |
| Realized and Unrealized Gain (Loss) on Investments | 168,630                          | -                             | 168,630                    |
| Total Support and Revenue                          | <u>\$ 1,603,149</u>              | <u>\$ -</u>                   | <u>\$ 1,603,149</u>        |
| Net Assets Released From Restrictions              |                                  |                               |                            |
| Satisfaction of Program Restrictions (Note 7)      | \$ -                             | \$ -                          | \$ -                       |
| Expenses                                           |                                  |                               |                            |
| Program Services                                   | <u>\$ 1,063,343</u>              | <u>\$ -</u>                   | <u>\$ 1,063,343</u>        |
| Total Program Services                             | <u>\$ 1,063,343</u>              | <u>\$ -</u>                   | <u>\$ 1,063,343</u>        |
| Supporting Services                                |                                  |                               |                            |
| Management and General                             | \$ 161,282                       | \$ -                          | \$ 161,282                 |
| Fundraising                                        | <u>13,919</u>                    | <u>-</u>                      | <u>13,919</u>              |
| Total Supporting Services                          | <u>\$ 175,201</u>                | <u>\$ -</u>                   | <u>\$ 175,201</u>          |
| Total Expenses                                     | <u>\$ 1,238,544</u>              | <u>\$ -</u>                   | <u>\$ 1,238,544</u>        |
| Change in Total Net Assets                         | \$ 364,605                       | \$ -                          | \$ 364,605                 |
| Net Assets, Beginning of Year                      | <u>1,811,352</u>                 | <u>-</u>                      | <u>1,811,352</u>           |
| Net Assets, End of Year                            | <u><u>\$ 2,175,957</u></u>       | <u><u>\$ -</u></u>            | <u><u>\$ 2,175,957</u></u> |

The notes are an integral part of the financial statements

**ORPHAN KITTEN CLUB, INC.**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

|                                                    | December 31, 2022                         |                                        |                            |
|----------------------------------------------------|-------------------------------------------|----------------------------------------|----------------------------|
|                                                    | <b>WITHOUT<br/>DONOR<br/>RESTRICTIONS</b> | <b>WITH<br/>DONOR<br/>RESTRICTIONS</b> | <b>TOTAL</b>               |
| Support and Revenue                                |                                           |                                        |                            |
| Revenues                                           |                                           |                                        |                            |
| Contributions                                      | \$ 1,566,992                              | \$ -                                   | \$ 1,566,992               |
| Adoption Fees                                      | 8,867                                     | -                                      | 8,867                      |
| In-kind Donations (Note 9)                         | 95,345                                    | -                                      | 95,345                     |
| Interest and Dividend Income                       | 14,216                                    | -                                      | 14,216                     |
| Realized and Unrealized Gain (Loss) on Investments | (136,583)                                 | -                                      | (136,583)                  |
| Total Support and Revenue                          | <u>\$ 1,548,837</u>                       | <u>\$ -</u>                            | <u>\$ 1,548,837</u>        |
| Net Assets Released From Restrictions              |                                           |                                        |                            |
| Satisfaction of Program Restrictions (Note 7)      | \$ -                                      | \$ -                                   | \$ -                       |
| Expenses                                           |                                           |                                        |                            |
| Program Services                                   | <u>\$ 1,140,102</u>                       | <u>\$ -</u>                            | <u>\$ 1,140,102</u>        |
| Total Program Services                             | <u>\$ 1,140,102</u>                       | <u>\$ -</u>                            | <u>\$ 1,140,102</u>        |
| Supporting Services                                |                                           |                                        |                            |
| Management and General                             | \$ 140,076                                | \$ -                                   | \$ 140,076                 |
| Fundraising                                        | <u>104,454</u>                            | <u>-</u>                               | <u>104,454</u>             |
| Total Supporting Services                          | <u>\$ 244,530</u>                         | <u>\$ -</u>                            | <u>\$ 244,530</u>          |
| Total Expenses                                     | <u>\$ 1,384,632</u>                       | <u>\$ -</u>                            | <u>\$ 1,384,632</u>        |
| Change in Total Net Assets                         | \$ 164,205                                | \$ -                                   | \$ 164,205                 |
| Net Assets, Beginning of Year                      | <u>1,647,147</u>                          | <u>-</u>                               | <u>\$ 1,647,147</u>        |
| Net Assets, End of Year                            | <u><u>\$ 1,811,352</u></u>                | <u><u>\$ -</u></u>                     | <u><u>\$ 1,811,352</u></u> |

The notes are an integral part of the financial statements

**ORPHAN KITTEN CLUB, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

|                                 | <b>December 31, 2023</b>    |                                   |                    |                     |
|---------------------------------|-----------------------------|-----------------------------------|--------------------|---------------------|
|                                 | <b>PROGRAM<br/>SERVICES</b> | <b>MANAGEMENT<br/>AND GENERAL</b> | <b>FUNDRAISING</b> | <b>TOTAL</b>        |
| Advertising and Marketing       | \$ 668                      | \$ 540                            | \$ 839             | \$ 2,047            |
| Business Filings                | 201                         | 12,198                            |                    | 12,399              |
| Cat Care                        | 39,753                      | -                                 | -                  | 39,753              |
| Contract Services               | 32,860                      | 7,268                             | 585                | 40,713              |
| Depreciation (Note 8)           | 11,922                      | -                                 | -                  | 11,922              |
| Insurance                       | -                           | 6,902                             | -                  | 6,902               |
| In-kind Donation Costs (Note 9) | -                           | -                                 | -                  | -                   |
| Investment Fees                 | -                           | 10,523                            | -                  | 10,523              |
| Merchant and Bank Fees          | 66,889                      | 659                               |                    | 67,548              |
| Mighty Cat Grants               | 713,267                     | -                                 | -                  | 713,267             |
| Office Supplies and Expenses    | 17,677                      | 38,192                            | 11,800             | 67,669              |
| Payroll                         | 159,964                     | 7,869                             |                    | 167,833             |
| Postage and Mailing Services    | 297                         | 696                               | 2,309              | 3,302               |
| Professional Fees               | -                           | 28,554                            | -                  | 28,554              |
| Rent (Note 10, 11)              | -                           | 36,000                            | -                  | 36,000              |
| Repairs and Maintenance         | 276                         | 5,500                             | -                  | 5,776               |
| Supplies                        | 18,510                      | 102                               | -                  | 18,612              |
| Training                        | -                           | 715                               | -                  | 715                 |
| Travel                          | 740                         | 70                                | -                  | 810                 |
| Utilities                       | 319                         | 3,880                             | -                  | 4,199               |
| Total Expenses                  | <u>\$ 1,063,343</u>         | <u>\$ 159,668</u>                 | <u>\$ 15,533</u>   | <u>\$ 1,238,544</u> |

The notes are an integral part of the financial statements



**ORPHAN KITTEN CLUB, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

|                                 | December 31, 2022           |                                   |                    |                     |
|---------------------------------|-----------------------------|-----------------------------------|--------------------|---------------------|
|                                 | <b>PROGRAM<br/>SERVICES</b> | <b>MANAGEMENT<br/>AND GENERAL</b> | <b>FUNDRAISING</b> | <b>TOTAL</b>        |
| Advertising and Marketing       | \$ -                        | \$ -                              | \$ 18,543          | \$ 18,543           |
| Cat Care                        | 99,276                      | -                                 |                    | 99,276              |
| Contract Services               | 142,528                     | 42,231                            | 14,362             | 199,121             |
| Depreciation (Note 8)           | 11,408                      | -                                 | -                  | 11,408              |
| Insurance                       | -                           | 13,128                            | -                  | 13,128              |
| In-kind Donation Costs (Note 9) | 95,345                      | -                                 | -                  | 95,345              |
| Investment Fees                 | -                           | 9,647                             | -                  | 9,647               |
| Merchant and Bank Fees          | 71,375                      | 1,457                             | -                  | 72,832              |
| Mighty Cat Grants               | 704,342                     | -                                 | -                  | 704,342             |
| Office Supplies and Expenses    | 15,827                      | 11,122                            | 15,827             | 42,777              |
| Payroll                         | -                           | -                                 | -                  | -                   |
| Postage and Mailing Services    | -                           | 7,117                             | -                  | 7,117               |
| Professional Fees               | -                           | 4,194                             | 55,722             | 59,916              |
| Rent (Note 10, 11)              | -                           | 36,000                            | -                  | 36,000              |
| Repairs and Maintenance         | -                           | 4,808                             | -                  | 4,808               |
| Supplies                        | -                           | -                                 | -                  | -                   |
| Training                        | -                           | 425                               | -                  | 425                 |
| Travel                          | -                           | 6,161                             | -                  | 6,161               |
| Utilities                       | -                           | 3,786                             | -                  | 3,786               |
| Total Expenses                  | <u>\$ 1,140,102</u>         | <u>\$ 140,076</u>                 | <u>\$ 104,454</u>  | <u>\$ 1,384,632</u> |

The notes are an integral part of the financial statements

**ORPHAN KITTEN CLUB, INC.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

|                                                  | <u>2023</u>       | <u>2022</u>       |
|--------------------------------------------------|-------------------|-------------------|
| Cash Flows from Operating Activities             |                   |                   |
| Change in Net Assets                             | \$ 164,205        | \$ 164,205        |
| Changes in Assets and Liabilities                |                   |                   |
| Investments                                      | (176,704)         | 117,685           |
| Accounts Receivable                              | 11,034            | -                 |
| Other Current Assets                             | 9,179             | -                 |
| Accrued Expenses                                 | (187,190)         | -                 |
| Net Cash Provided by Operating Activities        | \$ (179,476)      | \$ 281,890        |
| Cash Flows from Investing Activities             |                   |                   |
| Sale of Securities                               | \$ 1,603,516      | \$ 160,884        |
| Purchase of Securities                           | (1,381,194)       | (250,000)         |
| Net Cash Provided (Used) by Investing Activities | \$ 222,322        | \$ (89,116)       |
| Net Increase in Cash and Cash Equivalents        | \$ 42,846         | \$ 192,774        |
| Cash, and Cash Equivalents at Beginning of Year  | <u>815,065</u>    | <u>456,323</u>    |
| Cash and Cash Equivalents at End of Year         | <u>\$ 857,911</u> | <u>\$ 649,097</u> |

The notes are an integral part of the financial statements

**ORPHAN KITTEN CLUB INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

**NOTE 1 - Principal Activity**

Orphan Kitten Club (The Organization) is a 501(c)(3) not-for-profit organization whose mission is to end the killing of neonatal kittens and to give every kitten a chance at a full and happy life. Funds for the Organization's operations are raised primarily through contributions from private donors.

**NOTE 2 – Summary of Significant Accounting Policies**

**Basis of Accounting**

The Organization's financial statements are prepared in conformity with US generally accepted accounting principles (US GAAP). In the opinion of the Organization's management, the accompanying financial statements contain all adjustments, consisting of normal recurring accruals, necessary to fairly present the accompanying financial statements.

**Tax-Exempt Status**

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and does not conduct unrelated business activities. The Organization has also been classified as an entity that is not a private Organization within the meaning of Section 509(a) of the Internal Revenue Code. Therefore, no provision has been made for federal income taxes in the accompanying financial statements.

**Uncertain Tax Positions**

The Organization follows accounting standards established by the Financial Accounting Standards Board (FASB) ASC 740 which clarify the accounting for uncertainty in income taxes recognized in the financial statements and ASC 740-10-25 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. It also provides guidance on derecognition, and measurement of a tax position taken or to be taken in a tax return. The Organization has no uncertain tax positions resulting in any tax expense or benefit that would have a material impact on the financial statements for the years ending December 31, 2023, and 2022.

**Estimates**

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions based on available information. To make estimates, allocations, and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Cash and Cash Equivalents**

The Organization considers all highly liquid investments available with a maturity date of three months or less, which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents without donor restrictions.

**ORPHAN KITTEN CLUB INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

**NOTE 2 – Summary of Significant Accounting Policies (continued)**

**Concentration of Credit Risk**

The Organization restricts investments of cash to financial institutions of high credit standing. Deposit concentration risk is managed by placing cash, money market accounts, and certificates of deposit with financial institutions believed by the Organization to be creditworthy. The accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. The Organization has not experienced any loss in such accounts. At December 31, 2023 and 2022 the Organization had deposits with insured financial institutions that exceeded the insurance coverage by approximately \$607,911 and \$562,065 respectively.

The Organization believes it is not exposed to any significant credit risks on its cash balances. Although the fair values of investments are subject to fluctuation on a year-to-year basis, the Organization believes that the investment policies and guidelines are prudent for the long-term welfare of the organization.

**Revenue Recognition**

Contributions, which include unconditional promises to give (pledges), are recognized as revenues in the period received or promised. Conditional promises are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met.

**Net Assets**

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

**Net Assets Without Donor Restrictions**

Consists of assets which are fully available, at the discretion of management and the Board of Directors, for the Organization to utilize in any of its programs or supporting services. Net assets without donor restrictions also include amounts designated for certain purposes by the Board of Directors.

**Net Assets with Donor Restrictions**

Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor.

**ORPHAN KITTEN CLUB INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

**NOTE 2 – Summary of Significant Accounting Policies (continued)**

**Net Assets with Donor Restrictions (continued)**

Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, both.

**Donations In-kind**

The Organization includes contributed goods and services in the financial statements. The Organization records the value of non-cash materials, facilities, and professional services at the estimated fair value. Contributed professional services are recognized when the services received require specialized skills. Expenses related to contributed goods and services are divided between program services, management and general, and fund-raising on the statement of functional expenses.

**Property and Equipment**

Property and equipment additions over \$2,500 are recorded at cost, or if donated, at fair value on the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from 3 to 10 years, or in the case of capitalized leased assets or leasehold improvements, the lesser of the useful life of the asset or the lease term.

When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any resulting gain or loss is included in the statements of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed.

Donated property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as contributions without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as contributions 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. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

**ORPHAN KITTEN CLUB INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

**NOTE 2 – Summary of Significant Accounting Policies (continued)**

**Property and Equipment (continued)**

The Organization reviews the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the years ended December 31, 2023 and 2022.

**Basis of Presentation**

Under accounting standards on Financial Statements of non-profit Organizations, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions.

As of January 01, 2020, the Organization adopted the provisions of Accounting Standards Update (ASU) 2016-14, Presentation of Financial Statements for Not-For-Profit Entities. The provisions of the ASU replace the existing three classes of net assets with two new classes (net assets without donor restrictions and net assets with donor restrictions). The ASU introduces new disclosure requirements to provide information about what is included or excluded from the Organization's intermediate measure of operations as well as disclosures to improve a financial statement user's ability to assess the Organization's liquidity and exposure to risk. The ASU also introduces new reporting requirements to present expenses by both function and natural classification in a single location and to present investment returns on the statements of activities net of external and direct internal investment expenses.

The new provisions should be applied on a retrospective basis; however, if presenting comparative financial statements, the ASU allows for the option to omit, for any periods presented before the period of adoption, the analysis of expenses by both natural classification and functional classification (the separate presentation of expenses by functional classification and expenses by natural classification is still required), and the disclosure about liquidity and availability of resources.

**Exchange Transactions**

In June 2018, the FASB issued Accounting Standards Update (ASU) No. 2018-08, Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made, which amends the accounting guidance related to (1) evaluating whether transactions should be accounted for as contributions or exchange transactions, and (2) determining whether a contribution is conditional. The ASU is effective for annual periods beginning after December 15, 2018 for resource recipients, and after December 15, 2019 for resource providers, with early adoption permissible. The guidance is effective for the Organization for years beginning after December 15, 2019. The Organization adopted this guidance on January 01, 2020 under the modified prospective approach to agreements that were either not completed as of January 01, 2020 or entered into after January 01, 2020. The Organization does not make significant conditional contributions or exchanges and the impact of ASU 2018-08 related to contributions made is not expected to be material to the financial statements or disclosures.

**ORPHAN KITTEN CLUB INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

**NOTE 2 – Summary of Significant Accounting Policies (continued)**

**Exchange Revenue**

As a resource provider, the Organization has adopted the guidance effective January 01, 2020. The Organization has recorded exchange transactions for sponsorship in exchange revenue for advertising sponsors during special events to support program initiatives during the year ended December 31, 2023 and 2022 in the amount of \$ 0 and \$ 0, respectively.

**Recent Accounting Pronouncements**

Accounting Standards Update No. 2014-09, 2016-08, 2016-10, 2016-12 and 2016-20, collectively implemented as Financial Accounting Standard Board (“FASB”) Accounting Standards Codification (“ASC”) Topic 606 (“ASC 606”) Revenue from Contracts with Customers, provides guidance for revenue recognition. This ASC’s core principle requires an organization to recognize revenue when it transfers promised goods or services to customers in an amount that reflects consideration to which the organization expects to be entitled in exchange for those goods or services. The standard also clarifies the principal versus agent considerations, providing the evaluation must focus on whether the entity has control of the goods or services before they are transferred to the customer. The new standard permits the use of either the modified retrospective or full retrospective transition method.

The Organization has performed a review of the new guidance as compared to its current accounting policies, and evaluated all services rendered to its customers as well as underlying contracts to determine the impact of this standard to its revenue recognition process. Upon completion of its review of relevant contracts, the Organization has decided that there was not a material impact to revenues in the years ending December 31, 2023 and 2022 because of applying ASC 606. Additionally, there have not been significant changes to the Organization’s business processes, systems, or internal controls because of implementing the standard. The Organization adopted the standard on January 1, 2020, using the modified retrospective transition method.

In February 2016, the FASB issued ASU No. 2016-02, Leases, which is intended to improve financial reporting about leasing transactions. ASU No. 2016-02 requires that leased assets be recognized as assets on the statement of financial position and the liabilities for the obligations under the lease also be recognized on the statement of financial position. ASU No. 2016-02 requires disclosures to help investors and other financial statement users better understand the amount, timing and uncertainty of cash flows arising from leases. The required disclosures include qualitative and quantitative requirements. ASU No. 2016-02 is effective for fiscal years beginning after December 15, 2020 and interim periods within those fiscal years.

Early adoption is permitted. ASU No. 2016-02 must be adopted using a modified retrospective transition and provides for certain practical expedients. Transition will require application of the new guidance at the beginning of the earliest comparative period presented. The Organization was not a party to any leases that would fall under the requirements of ASU No. 2016-02 during the years ended December 31, 2023 and 2022.

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**NOTE 3 - Fair Value Measurement**

The Organization follows the method of fair value to value its financial assets and liabilities. Fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. To increase consistency and comparability in fair value measurements, a fair value hierarchy that prioritizes observable and unobservable inputs used to measure fair value into three broad levels has been established, which are described below:

Level 1: Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

Level 2: Observable inputs other than level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in inactive markets; or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data.

Level 3: Unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs.

Financial assets carried at fair value on December 31, 2023 and 2022 are classified in the following schedules in one of three categories described above.

The table below presents the balances of assets measured at fair value as of December 31, 2022 and 2021 on a recurring basis:

| Assets                     | 2023                |             |             | 2022                |             |             |
|----------------------------|---------------------|-------------|-------------|---------------------|-------------|-------------|
|                            | Level 1             | Level 2     | Level 3     | Level 1             | Level 2     | Level 3     |
| Cash                       | \$ 857,911          | \$ -        | \$ -        | \$ 815,065          | \$ -        | \$ -        |
| Investments                | 1,146,749           | -           | -           | 970,045             | -           | -           |
| Total Cash and Investments | <u>\$ 2,004,660</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1,785,110</u> | <u>\$ -</u> | <u>\$ -</u> |

**NOTE 4 - Liquidity and Availability**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

|                            | 2023             | 2022             |
|----------------------------|------------------|------------------|
| Cash                       | \$ 857,911       | \$ 815,065       |
| Investments                | 1,146,749        | 970,045          |
| Total Cash and Investments | <u>2,004,660</u> | <u>1,785,110</u> |



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**NOTE 4 - Liquidity and Availability (continued)**

As part of its liquidity management, the Organization maintains liquid assets sufficient to meet its ongoing funding needs, which include IRS distribution requirements, general expenditures, and other obligations. Its main source of income is derived from contributions.

**NOTE 5 - Cash, Cash Equivalents and Restricted Cash**

Cash, cash equivalents, and restricted cash as noted in the cash flow statements consists of the following on December 31:

|                                                   | 2023              | 2022              |
|---------------------------------------------------|-------------------|-------------------|
| Cash                                              | \$ 857,911        | \$ 815,065        |
| Restricted cash                                   | -                 | -                 |
| Total Cash, Cash Equivalents, and Restricted Cash | <u>\$ 857,911</u> | <u>\$ 815,065</u> |

**NOTE 6 - Functional Allocation of Expenses**

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include utilities, general insurance, and depreciation, as well as salaries, wages, benefits, payroll taxes, postage, mailing, printing, copying, telephone, supplies and technology, which are allocated based on estimates of time and effort.

**NOTE 7 - Net Assets**

Net assets with donor restrictions are restricted for the following purposes or period:

Net assets consist of the following on December 31:

|                                              | 2023                | 2022                |
|----------------------------------------------|---------------------|---------------------|
| Without Donor Restrictions:                  |                     |                     |
| Undesignated and Unrestricted                | \$ 2,011,752        | \$ 1,647,147        |
| Total Net Assets Without Donor Restrictions  | <u>\$ 2,011,752</u> | <u>\$ 1,647,147</u> |
| With donor Restrictions:                     |                     |                     |
| Subject to Expenditure for Specific Purpose: |                     |                     |
| Earmarked for Specific Kittens               | \$ -                | \$ -                |
|                                              | <u>\$ -</u>         | <u>\$ -</u>         |

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**NOTE 7 - Net Assets (continued)**

Net assets released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or events specified by donors during fiscal years ended December 31, 2023 and 2022 are as follows:

|                                                          | 2023             | 2022             |
|----------------------------------------------------------|------------------|------------------|
| Purpose Restrictions Accomplished:                       |                  |                  |
| Release of Restriction for Specific Kittens              | \$ -             | \$ -             |
| Total Net Assets With Donor Restrictions                 | \$ -             | \$ -             |
| <br>Total Net Assets With and Without Donor Restrictions | <br>\$ 2,011,752 | <br>\$ 1,647,147 |

**NOTE 8 - Property and Equipment**

Property and equipment consist of the following on December 31:

|                              | 2023        | 2022        |
|------------------------------|-------------|-------------|
| Leasehold Improvements       | \$ 119,217  | \$ 119,217  |
| Total Leasehold Improvements | \$ 119,217  | \$ 119,217  |
| Accumulated Depreciation     | \$ (27,589) | \$ (15,667) |

Depreciation expense was \$11,922 and \$11,408 for the year ended December 31, 2023, and 2022 respectively.

**NOTE 9 - Donations In-kind**

The Organization includes contributed goods and services in the financial statements. The Organization records the value of non-cash materials, facilities, and professional services at the estimated fair value. Contributed professional services are recognized when the services received require specialized skills. Expenses related to contributed goods and services are charged to program services on the statement of functional expenses. Expenses related to contributed goods and services totaled \$0 and \$95,345 for the years ended December 31, 2023, and 2022 respectively.

**NOTE 10 – Rental Commitments**

The Company rents its office facility from a related party under a month-to-month rental agreement. The agreement provides for monthly payments of \$ 3,000. Rent expense was \$36,000 and \$36,000 for the years ended December 31, 2023 and 2022, respectively.

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**NOTE 11 – Related Party Transactions**

The Organization rents its facilities from the Organizations' founder and board chair. The terms of the rental include \$3,000 rental payment each month when the facilities are used. The rental agreement has no term beyond each month that the facilities are rented. The agreement can be terminated by either party with written notice or by default of either party. While the amount of the monthly rental payment is below market value for developed land and buildings in the area, the property is underdeveloped and there is no term beyond each month. Based on that information the Organization believes the monthly rental amount is fair and reasonable.

**NOTE 12 – Subsequent Events**

The Organization has evaluated subsequent events through July 31, 2024 which is the date that the financial statements were approved and available to be issued.