

Homeless Animals Rescue Team, Inc.

Financial Statements (with independent auditors' report)

For the years ended December 31, 2021 and 2020

HOMELESS ANIMALS RESCUE TEAM, INC.

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Financial Statements**

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The Board of Directors of
Homeless Animals Rescue Team, Inc.

Independent Auditors' Report

Opinion

We have audited the accompanying financial statements of Homeless Animals Rescue Team, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities and changes in net assets, 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 Homeless Animals Rescue Team, Inc. as of December 31, 2021 and 2020, and the results of its operations 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Homeless Animals Rescue Team, 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 Homeless Animals Rescue Team, Inc.' ability to continue as a going concern within one year after the date that the financial statements are available to be issued

Auditors' 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 auditors' 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 Homeless Animals Rescue Team, 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 Homeless Animals Rescue Team, Inc.'s ability to continue as a going concern for a reasonable period of time.
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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.



November 9, 2022
Washington, DC

HOMELESS ANIMALS RESCUE TEAM, INC.

STATEMENTS OF FINANCIAL POSITION

As of December 31, 2021 and 2020

ASSETS

	<u>2021</u>	<u>2020</u>
Current assets		
Cash and equivalents	\$ 771,614	\$ 781,166
Prepaid expenses	3,111	3,390
Pledges receivable	17,473	-
Total current assets	<u>792,198</u>	<u>784,556</u>
Fixed assets		
Furniture and equipment	135,478	135,478
Less: accumulated depreciation	<u>(97,748)</u>	<u>(81,880)</u>
Net fixed assets	37,730	53,598
Deposits	<u>1,000</u>	<u>750</u>
Total assets	<u>\$ 830,928</u>	<u>\$ 838,904</u>

LIABILITIES AND NET ASSETS

Liabilities		
Accounts payable and accrued expenses	<u>\$ 87,108</u>	<u>\$ 34,826</u>
Net assets		
Without donor restrictions	726,347	804,078
With donor restrictions	<u>17,473</u>	<u>-</u>
Total net assets	<u>743,820</u>	<u>804,078</u>
Total liabilities and net assets	<u>\$ 830,928</u>	<u>\$ 838,904</u>

See accompanying notes and independent auditors' report.

HOMELESS ANIMALS RESCUE TEAM, INC.

STATEMENTS OF ACTIVITIES

For the years ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Support and Revenue		
Contributions and grants	\$ 536,870	\$ 610,874
Adoption fees	300,244	324,854
Special event income	81,854	-
Interest income	17	1,078
Gain on disposal of fixed asset	300	-
In-kind contributions	46,271	41,827
	<hr/>	<hr/>
Total support and revenue	965,556	978,633
Expenses		
Animal rescue and adoption services	951,827	931,344
General and administration	37,935	18,973
Fundraising	36,052	30,572
	<hr/>	<hr/>
Total expenses	1,025,814	980,889
Change in net assets	(60,258)	(2,256)
Net assets, beginning of year	804,078	806,334
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Net assets, end of year	<u>\$ 743,820</u>	<u>\$ 804,078</u>

See accompanying notes and independent auditors' report.

HOMELESS ANIMALS RESCUE TEAM, INC.

STATEMENTS FUNCTIONAL EXPENSES

For the years ended December 31, 2021 and 2020

	2021				2020			
	Unrestricted				Unrestricted			
	Animal Rescue & Adoption Services	General and Administration	Fundraising	Total	Animal Rescue & Adoption Services	General and Administration	Fundraising	Total
Salaries and payroll taxes	\$ 96,290	\$ 5,177	\$ 2,071	\$ 103,538	\$ 93,198	\$ 5,010	\$ 2,004	\$ 100,212
Advertising	-	-	-	-	530	-	-	530
Bank fees	8,313	447	179	8,939	5,503	296	118	5,917
Depreciation expense	14,757	793	317	15,868	20,843	1,121	448	22,412
Insurance	9,418	506	203	10,127	10,755	578	231	11,564
Medical and boarding	771,174	-	-	771,174	757,931	-	-	757,931
Meetings, events and promotion	-	-	32,531	32,531	-	-	20,427	20,427
Occupancy	10,208	549	220	10,976	9,908	533	213	10,654
Office expense	5,837	314	126	6,276	3,421	184	5,556	9,161
Postage and shipping	530	29	11	570	189	10	4	203
Printing and publications	11,406	613	245	12,264	393	21	1,398	1,812
Professional fees	868	29,180	19	30,066	2,055	10,897	44	12,996
Taxes and licenses	2,518	135	54	2,707	2,980	160	64	3,204
Telephone and internet	3,572	192	77	3,841	3,026	163	65	3,254
Travel and automobile	16,937	-	-	16,937	20,612	-	-	20,612
Total expenses	\$ 951,827	\$ 37,935	\$ 36,052	\$ 1,025,814	\$ 931,344	\$ 18,973	\$ 30,572	\$ 980,889

See accompanying notes and independent auditors' report.

HOMELESS ANIMALS RESCUE TEAM, INC.

STATEMENTS OF CASH FLOWS

For the years ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash flow from operating activities		
Change in net assets	\$ (60,258)	\$ (2,256)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation expense	15,868	22,412
(Increase) decrease in:		
Prepaid expenses	279	1,823
Increase (decrease) in:		
Accounts payable and accrued expenses	52,282	(22,251)
	<u> </u>	<u> </u>
Net cash flow provided (used) by operating activities	(9,552)	(272)
Net cash flow provided (used) by investing activities:		
Purchase of fixed assets	<u> -</u>	<u> (48,707)</u>
Net increase (decrease) in cash and equivalents	(9,552)	(48,979)
Cash and cash equivalents, beginning of year	<u> 781,166</u>	<u> 830,145</u>
Cash and cash equivalents, end of year	<u><u> \$ 771,614</u></u>	<u><u> \$ 781,166</u></u>

See accompanying notes and independent auditors' report.

HOMELESS ANIMALS RESCUE TEAM, INC.

Notes to Financial Statements

December 31, 2021 and 2020

1. DESCRIPTION OF THE ORGANIZATION

Homeless Animals Rescue Team, Inc. (HART) was incorporated as a non-profit organization in the Commonwealth of Virginia in September 1990. HART rescues stray and unwanted animals and gives the general public an alternative to traditional animal shelters. All prospective owners are screened prior to receiving information about animals available for adoption. HART performs a home check and requires an adoption contract prior to releasing the animal to new owners. In the event that an owner can no longer care for a pet or in a life-threatening situation, the animal is placed in a foster home, if available, or is boarded until a permanent home is found.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

HART's financial statements are prepared on the accrual basis of accounting. Therefore, revenue and related assets are recognized when earned and expenses and related liabilities are recognized as the obligations are incurred.

Cash and Cash Equivalents

HART considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Cash and cash equivalents for purposes of the statement of cash flows exclude permanently restricted cash and cash equivalents.

Contributions Receivable

Contributions receivable represents amounts which have been promised but not yet received. Contributions due beyond one year are discounted to reflect the present value of the contribution.

Fixed Assets

Furniture and equipment are reported at cost. Assets and capital lease purchases are depreciated over a three to five years estimated life using the straight line method.

HOMELESS ANIMALS RESCUE TEAM, INC.

Notes to Financial Statements

December 31, 2021 and 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets

Net assets are reported by the Organization in accordance with Financial Accounting Standards Board (FASB) 116 and 117. Accordingly, net assets have been reported using the following categories.

Net Assets Without Donor Restrictions

Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

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. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that the resources be maintained in perpetuity. 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, or both. As of December 31, 2021, net assets with donor restrictions, time restricted, was \$17,473.

HOMELESS ANIMALS RESCUE TEAM, INC.

Notes to Financial Statements

December 31, 2021 and 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

HART is a nonprofit organization, which is exempt from federal income taxes under the provision of Section 501(c)(3) of the Internal Revenue Code. However, HART is subject to unrelated business income tax for activities conducted outside its tax exempt purpose. HART did not conduct any unrelated business activities during 2021 and 2020, accordingly no provision for income taxes was recorded.

HART has no uncertain tax positions that qualify for either recognition or disclosure in the financial statements, and no interest and penalties have been recorded in the accompanying financial statements related to uncertain tax positions.

Donated Services and Materials

Contributions of services and materials are recognized if the services or materials received create or enhance nonfinancial assets or require specialized skills, and are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Contributed services and promises to give services that do not meet the above criteria are not recognized. During 2021 and 2020 HART received \$42,271 and \$41,827, in donated materials or services, respectively.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

HOMELESS ANIMALS RESCUE TEAM, INC.

Notes to Financial Statements

December 31, 2021 and 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Recent Accounting Pronouncement

ASU 2016-02 In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in ASU 2016-02 supersedes the lease recognition requirements in Accounting Standards Codification (ASC) Topic 840, *Leases (FAS 13)*. ASU 2016-02 requires an entity to recognize assets and liabilities on the balance sheet for the rights and obligations created by leased assets and provide additional disclosures. ASU 2016-02 is effective for non-public entities for fiscal years beginning after December 15, 2021, with early adoption permitted. The Organization is currently in the process of evaluating the impact of adoption of this ASU on the financial statements.

3. COMMITMENTS AND CONTINGENCIES

HART leases office space under an agreement that began on June 1, 2021 and expires May 31, 2025. The future minimum lease payments on an annual basis are:

Years ending December 31

2022	\$ 9,300
2023	9,300
2024	9,300
2025	<u>3,875</u>
Total	<u>\$ 31,775</u>

Rent expense for the years ended December 31, 2021 and 2020 was \$10,976 and \$10,654, respectively.

4. FURNITURE AND EQUIPMENT

The following is a summary of equipment as of December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Vehicles	\$ 77,872	\$ 77,872
Kennels	57,605	57,605
Less accumulated depreciation	<u>(97,748)</u>	<u>(81,880)</u>
Total	<u>\$ 37,729</u>	<u>\$ 53,597</u>

HOMELESS ANIMALS RESCUE TEAM, INC.

Notes to Financial Statements

December 31, 2021 and 2020

5. FUNCTIONALIZED EXPENSES

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 occupancy, depreciation, salaries and benefits, professional fees, supplies, telephone and internet, dues and subscriptions, insurance, and other, which are allocated on the basis of estimates of time and effort.

6. LIQUIDITY AND AVAILABILITY

The financial assets and liquidity resources available within one year of the statement of financial position date for general expenditures are as follow at December 31, 2021:

	Gross Amount	Unavailable for General Expenditure	Available to Meet Cash Needs Within One Year
Cash and Equivalents	\$ 771,614	\$ -	\$ 771,614
Pledges Receivable	<u>17,473</u>	<u>-</u>	<u>17,473</u>
	<u>\$ 789,087</u>	<u>\$ -</u>	<u>\$ 789,087</u>

The Organization's net assets are available for general expenditure within one year of December 31, 2021. The Organization has a goal to maintain financial assets, which consist of cash and cash equivalents, on hand to meet normal operating expenses for the current budget year.

7. SUBSEQUENT EVENTS

The date to which events occurring after December 31, 2021, the date of the most recent statement of financial position, have been evaluated for possible adjustment to the financial statements or disclosure is November 9, 2022, which is the date on which the financial statements were available to be issued.