

Homeless Animals Rescue Team, Inc.

Financial Statements (with independent auditors' report)

For the years ended December 31, 2012 and 2011



HOMELESS ANIMALS RESCUE TEAM, INC.

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Homeless Animals Rescue Team, Inc.

We have audited the accompanying statement of financial position of the Homeless Animals Rescue Team, Inc. (a nonprofit organization) as of December 31, 2012 and 2011, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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 Homeless Animals Rescue Team, Inc. as of December 31, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in conformity with generally accepted accounting principles.

We conducted our audits in accordance with U.S. generally accepted auditing standards for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

McMaster & Associates PC

November 22, 2013
Washington, DC

HOMELESS ANIMALS RESCUE TEAM, INC.

STATEMENTS OF FINANCIAL POSITION

As of December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
<u>ASSETS</u>		
Current assets		
Cash and equivalents	\$ 132,732	\$ 159,954
Prepaid expenses	15,059	5,050
Pledges receivable	-	813
Total current assets	<u>147,791</u>	<u>165,817</u>
Fixed assets		
Furniture and equipment	75,771	54,287
Less: accumulated depreciation	<u>(58,584)</u>	<u>(54,287)</u>
Net fixed assets	17,187	-
Deposits	<u>750</u>	<u>750</u>
Total assets	<u><u>\$ 165,728</u></u>	<u><u>\$ 166,567</u></u>
<u>LIABILITIES AND NET ASSETS</u>		
Liabilities		
Accounts payable and accrued expenses	<u>\$ 58,146</u>	<u>\$ 109,810</u>
Net assets		
Unrestricted	<u>107,582</u>	<u>56,757</u>
Total net assets	<u>107,582</u>	<u>56,757</u>
Total liabilities and net assets	<u><u>\$ 165,728</u></u>	<u><u>\$ 166,567</u></u>

See accompanying notes and independent auditors' report.

HOMELESS ANIMALS RESCUE TEAM, INC.

STATEMENTS OF ACTIVITIES

For the years ended December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Support and Revenue		
Contributions and grants	\$ 404,560	\$ 422,093
Adoption fees	171,048	201,154
Special event income	82,099	50,448
Interest income	155	346
In-kind contributions	<u>9,794</u>	<u>22,769</u>
Total support and revenue	667,656	696,810
Expenses		
Animal rescue and adoption services	572,637	589,793
General and administration	14,017	21,516
Fundraising	<u>30,177</u>	<u>29,474</u>
Total expenses	<u>616,831</u>	<u>640,783</u>
Change in net assets	50,825	56,027
Net assets, beginning of year	<u>56,757</u>	<u>730</u>
Net assets, end of year	<u><u>\$ 107,582</u></u>	<u><u>\$ 56,757</u></u>

See accompanying notes and independent auditors' report.

HOMELESS ANIMALS RESCUE TEAM, INC.

STATEMENTS OF CASH FLOWS

For the years ended December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Cash flow from operating activities		
Change in net assets	\$ 50,825	\$ 56,027
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation expense	4,297	-
(Increase) decrease in:		
Prepaid expenses	(10,009)	(3,785)
Pledges receivable	813	(813)
Deposits	-	(750)
Increase (decrease) in:		
Accounts payable and accrued expenses	(51,664)	(17,838)
	<u>(5,738)</u>	<u>32,841</u>
Net cash flow provided by operating activities		
	(5,738)	32,841
Net cash flow used by investing activities:		
Purchase of fixed assets	<u>(21,484)</u>	<u>-</u>
Net increase (decrease) in cash and equivalents	(27,222)	32,841
Cash and cash equivalents, beginning of year	<u>159,954</u>	<u>127,113</u>
Cash and cash equivalents, end of year	<u>\$ 132,732</u>	<u>\$ 159,954</u>

See accompanying notes and independent auditors' report.

HOMELESS ANIMALS RESCUE TEAM, INC.

Notes to Financial Statements

December 31, 2012 and 2011

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.

Pledges Receivable

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

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, 2012 and 2011

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.

Unrestricted

Unrestricted net assets represent resources over which the Board of Directors has discretionary control and are used to carry out operations of HART in accordance with their bylaws.

Temporarily Restricted

Temporarily restricted net assets represent contributions and grants, which have been restricted by donors for specific programs or activities. Restrictions, which have been met by the passage of time or expenditure of net assets, are reported as revenues released from restrictions on the statement of activities. For the years ended December 31, 2012 and 2011, HART had no temporarily restricted contributions and grants.

Permanently Restricted Funds

Permanently restricted net assets represent contributions which have been restricted by donors indefinitely. Investment income generated from the principal of the permanently restricted net assets is used to fulfill programs and the general operations of HART. For the years ended December 31, 2012 and 2011, HART did not receive any permanently restricted contributions.

HOMELESS ANIMALS RESCUE TEAM, INC.

Notes to Financial Statements

December 31, 2012 and 2011

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 2012 and 2011, 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 are recognized if the services 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 2012 and 2011 HART received \$9,794 and \$22,769, 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, 2012 and 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent Events

The date to which events occurring after December 31, 2012, the date of the most recent statement of financial position, have been evaluated for possible adjustment to the financial statements or disclosure is November 22, 2013, which is the date on which the financial statements were available to be issued.

3. COMMITMENTS AND CONTINGENCIES

HART leases office space under an agreement that began on June 1, 2011 and expires May 31, 2014. The future minimum lease payments on an annual basis are:

Years ending December 31

2013	\$ 9,475
2014	<u>4,000</u>
Total	<u>\$ 13,475</u>

Rent expense for the years ended December 31, 2012 and 2011 was \$9,175 and \$10,938, respectively.

4. FURNITURE AND EQUIPMENT

The following is a summary of equipment as of December 31, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Vehicles	\$ 75,771	\$ 54,287
Less accumulated depreciation	<u>(58,584)</u>	<u>(54,287)</u>
Total	<u>\$ 17,187</u>	<u>\$ 0</u>

SUPPLEMENTAL INFORMATION

HOMELESS ANIMALS RESCUE TEAM, INC.

STATEMENT FUNCTIONAL EXPENSES

For the years ended December 31, 2012 and 2011

	<u>2012</u>				<u>2011</u>			
	<u>Unrestricted</u>				<u>Unrestricted</u>			
	<u>Animal Rescue & Adoption Services</u>	<u>General and Administration</u>	<u>Fundraising</u>	<u>Total</u>	<u>Animal Rescue & Adoption Services</u>	<u>General and Administration</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and payroll taxes	\$ 111,558	\$ 5,998	\$ 2,399	\$ 119,955	\$ 112,022	\$ 6,023	\$ 2,409	\$ 120,454
Advertising	3,000	-	-	3,000	-	-	-	-
Depreciation expense	4,297	-	-	4,297	-	-	-	-
Insurance	9,578	504	-	10,082	8,086	426	-	8,512
Medical and boarding	408,947	-	-	408,947	424,855	-	-	424,855
Meetings and events	-	-	13,891	13,891	-	-	17,659	17,659
Occupancy	8,716	459	-	9,175	10,391	547	-	10,938
Office expense	3,358	181	72	3,611	4,411	237	1,465	6,113
Postage and shipping	-	488	1,848	2,336	-	2,502	2,502	5,004
Printing and publications	-	-	11,228	11,228	-	5,352	5,352	10,704
Professional fees	-	5,049	-	5,049	-	5,278	-	5,278
Taxes and licenses	-	1,128	-	1,128	-	763	-	763
Telephone and internet	3,468	186	75	3,729	4,041	217	87	4,345
Travel and automobile	9,921	-	-	9,921	5,043	-	-	5,043
Miscellaneous	-	24	664	688	-	171	-	171
In-kind expenses	9,794	-	-	9,794	20,944	-	-	20,944
Total expenses	<u>\$ 572,637</u>	<u>\$ 14,017</u>	<u>\$ 30,177</u>	<u>\$ 616,831</u>	<u>\$ 589,793</u>	<u>\$ 21,516</u>	<u>\$ 29,474</u>	<u>\$ 640,783</u>

See accompanying notes and independent auditors' report.