

Homeless Animals Rescue Team, Inc.

Financial Statements (with independent auditors' report)

For the years ended December 31, 2016 and 2015

HOMELESS ANIMALS RESCUE TEAM, INC.

Table of Contents

**Independent Auditor's Report
Financial Statements**

Statements of Financial Position	1
Statements of Activities	2
Statements of Cash Flows	3
Notes to the Financial Statements	4
Supplemental Information	
Schedule of Functional Expenses	8

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

Independent Auditors' Report

Report on the Financial Statements

We have audited the accompanying financial statements of Homeless Animals Rescue Team, Inc., which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Homeless Animal Rescue Team, Inc. as of December 31, 2016 and 2015, 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.

Other Matters

Report on Supplemental Information

Our audits were made for the purpose of forming an opinion on the basic financial statements of Homeless Animals Rescue Team, Inc. taken as a whole. The accompanying supplemental statement of functional expenses has been presented for purposes of additional analysis of the financial statements rather than to present the financial position, changes in net assets, and cash flows of the entity, and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information in this schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, such information is fairly stated in all material aspects in relation to the financial statements taken as a whole.



October 27, 2017
Washington, DC

HOMELESS ANIMALS RESCUE TEAM, INC.

STATEMENTS OF FINANCIAL POSITION

As of December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<u>ASSETS</u>		
Current assets		
Cash and equivalents	\$ 296,054	\$ 305,150
Prepaid expenses	6,727	6,627
Pledges receivable	-	18,445
Total current assets	<u>302,781</u>	<u>330,222</u>
Fixed assets		
Furniture and equipment	71,077	105,365
Less: accumulated depreciation	<u>(44,421)</u>	<u>(64,493)</u>
Net fixed assets	26,656	40,872
Deposits	<u>750</u>	<u>750</u>
Total assets	<u><u>\$ 330,187</u></u>	<u><u>\$ 371,844</u></u>
<u>LIABILITIES AND NET ASSETS</u>		
Liabilities		
Accounts payable and accrued expenses	<u>\$ 36,768</u>	<u>\$ 33,225</u>
Net assets		
Unrestricted	293,419	320,174
Temporarily restricted	<u>-</u>	<u>18,445</u>
Total net assets	<u>293,419</u>	<u>338,619</u>
Total liabilities and net assets	<u><u>\$ 330,187</u></u>	<u><u>\$ 371,844</u></u>

See accompanying notes and independent auditors' report.

HOMELESS ANIMALS RESCUE TEAM, INC.

STATEMENTS OF ACTIVITIES

For the years ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Support and Revenue		
Contributions and grants	\$ 433,526	\$ 471,180
Adoption fees	176,094	110,060
Special event income	45,588	47,912
Interest income	56	84
Realized gains (losses)	-	(3,464)
In-kind contributions	45,000	10,500
	<hr/>	<hr/>
Total support and revenue	700,264	636,272
Expenses		
Animal rescue and adoption services	706,522	542,072
General and administration	23,773	19,084
Fundraising	15,169	17,859
	<hr/>	<hr/>
Total expenses	745,464	579,015
Change in net assets	(45,200)	57,257
Net assets, beginning of year	<hr/> 338,619	<hr/> 281,362
Net assets, end of year	<hr/> <u>\$ 293,419</u>	<hr/> <u>\$ 338,619</u>

See accompanying notes and independent auditors' report.

HOMELESS ANIMALS RESCUE TEAM, INC.

STATEMENTS OF CASH FLOWS

For the years ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash flow from operating activities		
Change in net assets	\$ (45,200)	\$ 57,257
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation expense	14,216	10,290
(Increase) decrease in:		
Prepaid expenses	(100)	(1,108)
Pledges receivable	18,445	(6,527)
Increase (decrease) in:		
Accounts payable and accrued expenses	3,543	12,271
	<u> </u>	<u> </u>
Net cash flow provided by operating activities	(9,096)	72,183
Net cash flow used by investing activities:		
Purchase of fixed assets	<u> -</u>	<u> (26,174)</u>
Net increase (decrease) in cash and equivalents	(9,096)	46,009
Cash and cash equivalents, beginning of year	<u> 305,150</u>	<u> 259,141</u>
Cash and cash equivalents, end of year	<u><u> \$ 296,054</u></u>	<u><u> \$ 305,150</u></u>

See accompanying notes and independent auditors' report.

HOMELESS ANIMALS RESCUE TEAM, INC.

Notes to Financial Statements

December 31, 2016 and 2015

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 due 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, 2016 and 2015

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 its 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 year ended December 31, 2016 HART had \$0 in temporarily restricted contributions and grants, and \$18,455 for the year ended December 31, 2015.

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, 2016 and 2015, HART did not receive any permanently restricted contributions.

HOMELESS ANIMALS RESCUE TEAM, INC.

Notes to Financial Statements

December 31, 2016 and 2015

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 2016 and 2015, 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 2016 and 2015 HART received \$45,000 and \$10,500, 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, 2016 and 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent Events

The date to which events occurring after December 31, 2016, the date of the most recent statement of financial position, have been evaluated for possible adjustment to the financial statements or disclosure is October 27, 2017, 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, 2015 and expires May 31, 2017. The future minimum lease payments on an annual basis are:

Years ending December 31

2017	\$ 3,750
------	----------

Rent expense for the years ended December 31, 2016 and 2015 was \$9,254 and \$9,000, respectively.

4. FURNITURE AND EQUIPMENT

The following is a summary of equipment as of December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Vehicles	\$ 77,077	\$ 105,365
Less accumulated depreciation	<u>(44,421)</u>	<u>(64,493)</u>
Total	<u>\$ 26,656</u>	<u>\$ 40,872</u>

SUPPLEMENTAL INFORMATION

HOMELESS ANIMALS RESCUE TEAM, INC.

STATEMENT FUNCTIONAL EXPENSES

For the years ended December 31, 2016 and 2015

	2016				2015			
	Unrestricted				Unrestricted			
	Animal Rescue & Adoption Services	General and Administration	Fundraising	Total	Animal Rescue & Adoption Services	General and Administration	Fundraising	Total
Salaries and payroll taxes	\$ 105,718	\$ 5,684	\$ 2,274	\$ 113,676	\$ 113,318	\$ 6,093	\$ 2,437	\$ 121,848
Advertising	130	-	-	130	-	-	-	-
Bank fees	3,337	-	-	3,337	2,187	-	-	2,187
Depreciation expense	14,216	-	-	14,216	10,290	-	-	10,290
Insurance	11,006	592	237	11,835	11,504	619	247	12,370
Medical and boarding	542,986	-	-	542,986	382,324	-	-	382,324
Meetings and events	-	-	4,069	4,069	-	-	8,046	8,046
Occupancy	8,791	463	-	9,254	8,550	450	-	9,000
Office expense	4,293	231	92	4,616	1,434	77	31	1,542
Postage and shipping	-	1,278	1,278	2,556	-	1,197	1,197	2,394
Printing and publications	-	-	2,813	2,813	-	193	2,851	3,044
Professional fees	-	11,781	3,439	15,220	-	8,365	-	8,365
Taxes and licenses	-	2,902	-	2,902	-	1,906	-	1,906
Telephone and internet	3,290	177	71	3,538	3,422	184	74	3,680
Travel and automobile	12,755	665	-	13,420	9,043	-	-	9,043
Miscellaneous	-	-	896	896	-	-	2,976	2,976
Total expenses	\$ 706,522	\$ 23,773	\$ 15,169	\$ 745,464	\$ 542,072	\$ 19,084	\$ 17,859	\$ 579,015

See accompanying notes and independent auditors' report.