

Homeless Animals Rescue Team, Inc.

Financial Statements (with independent auditors' report)

For the years ended December 31, 2019 and 2018

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

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, 2019 and 2018, and the related statements of activities, statement of functional expenses, 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, 2019 and 2018, 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.

A handwritten signature in black ink, appearing to read "M. W. Adams PC". The signature is written in a cursive style with some loops and flourishes.

November 9, 2020
Washington, DC

HOMELESS ANIMALS RESCUE TEAM, INC.

STATEMENTS OF FINANCIAL POSITION

As of December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
<u>ASSETS</u>		
Current assets		
Cash and equivalents	\$ 830,145	\$ 1,004,331
Prepaid expenses	5,213	5,007
Total current assets	835,358	1,009,338
Fixed assets		
Furniture and equipment	86,772	77,872
Less: accumulated depreciation	<u>(59,469)</u>	<u>(46,088)</u>
Net fixed assets	27,303	31,784
Deposits	<u>750</u>	<u>750</u>
Total assets	<u>\$ 863,411</u>	<u>\$ 1,041,872</u>
<u>LIABILITIES AND NET ASSETS</u>		
Liabilities		
Accounts payable and accrued expenses	<u>\$ 57,077</u>	<u>\$ 101,138</u>
Net assets		
Without donor restrictions	<u>806,334</u>	<u>940,734</u>
Total net assets	<u>806,334</u>	<u>940,734</u>
Total liabilities and net assets	<u>\$ 863,411</u>	<u>\$ 1,041,872</u>

See accompanying notes and independent auditors' report.

HOMELESS ANIMALS RESCUE TEAM, INC.

STATEMENTS OF ACTIVITIES

For the years ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Support and Revenue		
Contributions and grants	\$ 497,519	\$ 1,226,678
Adoption fees	201,659	175,490
Special event income	-	20,570
Interest income	7,277	3,459
Gain on disposal of fixed asset	-	13,012
In-kind contributions	73,197	78,861
	<hr/>	<hr/>
Total support and revenue	779,652	1,518,070
Expenses		
Animal rescue and adoption services	880,693	804,730
General and administration	14,564	16,394
Fundraising	18,795	56,603
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Total expenses	914,052	877,727
Change in net assets	(134,400)	640,343
Net assets, beginning of year	940,734	300,391
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Net assets, end of year	<u>\$ 806,334</u>	<u>\$ 940,734</u>

See accompanying notes and independent auditors' report.

HOMELESS ANIMALS RESCUE TEAM, INC.

STATEMENT FUNCTIONAL EXPENSES

For the years ended December 31, 2019 and 2018

	<u>2019</u>				<u>2018</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	\$ 75,270	\$ 4,047	\$ 1,619	\$ 80,936	\$ 70,269	\$ 3,778	\$ 1,511	\$ 75,558
Advertising	60	-	-	60	1,076	-	-	1,076
Bank fees	2,950	25	-	2,975	4,517	25	-	4,542
Depreciation expense	13,381	-	-	13,381	13,232	-	-	13,232
Insurance	10,811	116	47	10,974	11,358	611	244	12,213
Medical and boarding	724,213	-	-	724,213	659,200	-	-	659,200
Meetings, events and promotion	-	-	16,661	16,661	-	-	46,989	46,989
Occupancy	9,276	499	199	9,974	8,559	460	184	9,203
Office expense	2,712	144	56	2,912	1,395	2,625	31	4,051
Postage and shipping	179	10	4	193	-	-	1,098	1,098
Printing and publications	659	35	14	708	770	99	2,149	3,018
Professional fees	3,416	9,382	73	12,871	1,192	8,364	4,317	13,873
Taxes and licenses	2,977	160	64	3,201	3,587	274	17	3,878
Telephone and internet	2,714	146	58	2,918	2,936	158	63	3,157
Travel and automobile	32,075	-	-	32,075	26,639	-	-	26,639
Total expenses	<u>\$ 880,693</u>	<u>\$ 14,564</u>	<u>\$ 18,795</u>	<u>\$ 914,052</u>	<u>\$ 804,730</u>	<u>\$ 16,394</u>	<u>\$ 56,603</u>	<u>\$ 877,727</u>

See accompanying notes and independent auditors' report.

HOMELESS ANIMALS RESCUE TEAM, INC.

STATEMENTS OF CASH FLOWS

For the years ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash flow from operating activities		
Change in net assets	\$ (134,400)	\$ 640,343
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation expense	13,381	13,232
(Increase) decrease in:		
Prepaid expenses	(206)	1,720
Increase (decrease) in:		
Accounts payable and accrued expenses	(44,061)	(21,882)
Net cash flow provided by operating activities	<u>(165,286)</u>	<u>633,413</u>
Net cash flow used by investing activities:		
Purchase of fixed assets	<u>(8,900)</u>	<u>-</u>
Net increase (decrease) in cash and equivalents	(174,186)	633,413
Cash and cash equivalents, beginning of year	<u>1,004,331</u>	<u>370,918</u>
Cash and cash equivalents, end of year	<u>\$ 830,145</u>	<u>\$ 1,004,331</u>

See accompanying notes and independent auditors' report.

HOMELESS ANIMALS RESCUE TEAM, INC.

Notes to Financial Statements

December 31, 2019 and 2018

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, 2019 and 2018

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.

HOMELESS ANIMALS RESCUE TEAM, INC.

Notes to Financial Statements

December 31, 2019 and 2018

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 2019 and 2018, 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 2019 and 2018 HART received \$73,197 and \$78,861, 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, 2019 and 2018

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, 2020, with early adoption permitted. The Organization is currently in the process of evaluating the impact of adoption of this ASU on the financial statements.

ASU 2014-09 In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers*. The standard's core principle is that an entity will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This standard also includes expanded disclosure requirements that result in an entity providing users of the financial statements with comprehensive information about the nature, amount, timing, and uncertainty of revenue and cash flows arising from the entity's contracts with customers, ASU 2014-09 is effective for non-public entities for fiscal years beginning after December 15, 2020, with early adoption permitted for fiscal years beginning after December 15, 2016. The Consortium is currently in the process of evaluating the impact of adoption of this ASU on the financial statements.

ASU 2018-08 In June 2018, the FASB issued ASU 2018-18, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which clarifies how entities will determine whether to account for a transfer of assets as an exchange transaction or a contribution. The distinction is important because contributions are accounted for under ASC Subtopic 958-605, *Not-for-Profit Entities - Revenue Recognition*, while exchange transactions are accounted for under other guidance such as ASC Topic 606, *Revenue from Contracts with Customers*. The guidance also clarifies how entities will determine whether a contribution is conditional. The timing of revenue and expense recognition depends upon whether a contribution is

HOMELESS ANIMALS RESCUE TEAM, INC.

Notes to Financial Statements

December 31, 2019 and 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Recent Accounting Pronouncements (Continued)

conditional or unconditional. The new standard is effective for the Consortium for the fiscal year beginning after December 15, 2020. The Consortium is currently in the process of evaluating the impact of adoption of this ASU on the financial statements.

4. COMMITMENTS AND CONTINGENCIES

HART leases office space under an agreement that began on June 1, 2017 and expires May 31, 2021. The future minimum lease payments on an annual basis are:

Years ending December 31

2020	\$ 9,300
2021	<u>3,875</u>
Total	<u>\$ 13,175</u>

Rent expense for the years ended December 31, 2019 and 2018 was \$9,974 and \$9,203, respectively.

5. FURNITURE AND EQUIPMENT

The following is a summary of equipment as of December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Vehicles	\$ 77,872	\$ 77,872
Kennels	8,900	-
Less accumulated depreciation	<u>(59,469)</u>	<u>(46,088)</u>
Total	<u>\$ 27,303</u>	<u>\$ 31,784</u>

HOMELESS ANIMALS RESCUE TEAM, INC.

Notes to Financial Statements

December 31, 2019 and 2018

6. 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, 2019:

	Gross Amount	Unavailable for General Expenditure	Available to Meet Cash Needs Within One Year
Cash and Equivalents	<u>\$ 830,145</u>	<u>\$ -</u>	<u>\$ 830,145</u>

The Organization's net assets are available for general expenditure within on year year of December 31, 2019. 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, 2019, 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, 2020, which is the date on which the financial statements were available to be issued.