

Homeless Animals Rescue Team, Inc.

Financial Statements (with independent auditors' report)

For the years ended December 31, 2020 and 2019

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 Functional Expenses	3
Statements of Cash Flows	4
Notes to the Financial Statements	5

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, 2020 and 2019, and the related statements of activities, statements 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, 2020 and 2019, 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, somewhat stylized font.

November 10, 2021
Washington, DC

HOMELESS ANIMALS RESCUE TEAM, INC.

STATEMENTS OF FINANCIAL POSITION

As of December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<u>ASSETS</u>		
Current assets		
Cash and equivalents	\$ 781,166	\$ 830,145
Prepaid expenses	3,390	5,213
Total current assets	784,556	835,358
Fixed assets		
Furniture and equipment	135,478	86,772
Less: accumulated depreciation	<u>(81,880)</u>	<u>(59,469)</u>
Net fixed assets	53,598	27,303
Deposits	<u>750</u>	<u>750</u>
Total assets	<u>\$ 838,904</u>	<u>\$ 863,411</u>
<u>LIABILITIES AND NET ASSETS</u>		
Liabilities		
Accounts payable and accrued expenses	<u>\$ 34,826</u>	<u>\$ 57,077</u>
Net assets		
Without donor restrictions	<u>804,078</u>	<u>806,334</u>
Total net assets	<u>804,078</u>	<u>806,334</u>
Total liabilities and net assets	<u>\$ 838,904</u>	<u>\$ 863,411</u>

See accompanying notes and independent auditors' report.

HOMELESS ANIMALS RESCUE TEAM, INC.

STATEMENTS OF ACTIVITIES

For the years ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Support and Revenue		
Contributions and grants	\$ 610,874	\$ 497,519
Adoption fees	324,854	201,659
Special event income	-	-
Interest income	1,078	7,277
Gain on disposal of fixed asset	-	-
In-kind contributions	41,827	73,197
	<hr/>	<hr/>
Total support and revenue	978,633	779,652
Expenses		
Animal rescue and adoption services	931,344	880,693
General and administration	18,973	14,564
Fundraising	30,572	18,795
	<hr/>	<hr/>
Total expenses	980,889	914,052
Change in net assets	(2,256)	(134,400)
Net assets, beginning of year	806,334	940,734
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Net assets, end of year	<u>\$ 804,078</u>	<u>\$ 806,334</u>

See accompanying notes and independent auditors' report.

HOMELESS ANIMALS RESCUE TEAM, INC.

STATEMENTS FUNCTIONAL EXPENSES

For the years ended December 31, 2020 and 2019

	<u>2020</u>				<u>2019</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	\$ 93,198	\$ 5,010	\$ 2,004	\$ 100,212	\$ 75,270	\$ 4,047	\$ 1,619	\$ 80,936
Advertising	530	-	-	530	60	-	-	60
Bank fees	5,503	296	118	5,917	2,950	25	-	2,975
Depreciation expense	20,843	1,121	448	22,412	13,381	-	-	13,381
Insurance	10,755	578	231	11,564	10,811	116	47	10,974
Medical and boarding	757,931	-	-	757,931	724,213	-	-	724,213
Meetings, events and promotion	-	-	20,427	20,427	-	-	16,661	16,661
Occupancy	9,908	533	213	10,654	9,276	499	199	9,974
Office expense	3,421	184	5,556	9,161	2,712	144	56	2,912
Postage and shipping	189	10	4	203	179	10	4	193
Printing and publications	393	21	1,398	1,812	659	35	14	708
Professional fees	2,055	10,897	44	12,996	3,416	9,382	73	12,871
Taxes and licenses	2,980	160	64	3,204	2,977	160	64	3,201
Telephone and internet	3,026	163	65	3,254	2,714	146	58	2,918
Travel and automobile	20,612	-	-	20,612	32,075	-	-	32,075
Total expenses	<u>\$ 931,344</u>	<u>\$ 18,973</u>	<u>\$ 30,572</u>	<u>\$ 980,889</u>	<u>\$ 880,693</u>	<u>\$ 14,564</u>	<u>\$ 18,795</u>	<u>\$ 914,052</u>

See accompanying notes and independent auditors' report.

HOMELESS ANIMALS RESCUE TEAM, INC.

STATEMENTS OF CASH FLOWS

For the years ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash flow from operating activities		
Change in net assets	\$ (2,256)	\$ (134,400)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation expense	22,412	13,381
(Increase) decrease in:		
Prepaid expenses	1,823	(206)
Increase (decrease) in:		
Accounts payable and accrued expenses	(22,251)	(44,061)
Net cash flow provided (used) by operating activities	(272)	(165,286)
Net cash flow provided (used) by investing activities:		
Purchase of fixed assets	<u>(48,707)</u>	<u>(8,900)</u>
Net increase (decrease) in cash and equivalents	(48,979)	(174,186)
Cash and cash equivalents, beginning of year	<u>830,145</u>	<u>1,004,331</u>
Cash and cash equivalents, end of year	<u><u>\$ 781,166</u></u>	<u><u>\$ 830,145</u></u>

See accompanying notes and independent auditors' report.

HOMELESS ANIMALS RESCUE TEAM, INC.

Notes to Financial Statements

December 31, 2020 and 2019

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, 2020 and 2019

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, 2020 and 2019

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 2020 and 2019, 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 2020 and 2019 HART received \$41,827 and \$73,197, 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, 2020 and 2019

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.

3. 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

2021	\$ 3,875
Total	<u>\$ 3,875</u>

Rent expense for the years ended December 31, 2020 and 2019 was \$10,654 and \$9,974, respectively.

4. FURNITURE AND EQUIPMENT

The following is a summary of equipment as of December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Vehicles	\$ 77,872	\$ 77,872
Kennels	57,605	8,900
Less accumulated depreciation	<u>(81,880)</u>	<u>(59,469)</u>
Total	<u>\$ 53,597</u>	<u>\$ 27,303</u>

HOMELESS ANIMALS RESCUE TEAM, INC.

Notes to Financial Statements

December 31, 2020 and 2019

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, 2020:

	Gross Amount	Unavailable for General Expenditure	Available to Meet Cash Needs Within One Year
Cash and Equivalents	\$ 781,166	\$ _____ -	\$ 781,166

The Organization's net assets are available for general expenditure within one year of December 31, 2020. 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, 2020, the date of the most recent statement of financial position, have been evaluated for possible adjustment to the financial statements or disclosure is November 10, 2021, which is the date on which the financial statements were available to be issued.