

HART for Animals, Inc.

Financial Report

December 31, 2015

TURNBULL, HOOVER & KAHL, P.A.
CERTIFIED PUBLIC ACCOUNTANTS

HART for Animals, Inc.
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To the Board of Trustees of
HART for Animals Inc.
McHenry, Maryland 21541

INDEPENDENT AUDITORS' REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of HART for Animals, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2015, and the related statements of activities, and cash flows for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 HART for Animals, Inc. as of December 31, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Turnbull Hoover & Kahl P.A.

Oakland, Maryland

August 31, 2016

HART for Animals, Inc.
Statement of Financial Position
December 31, 2015

ASSETS

CURRENT ASSETS

| | |
|-------------------------------------|----------------|
| Cash and cash equivalents | \$ 52,585 |
| Investments | 49,655 |
| Inventory, at cost | 24,168 |
| Accounts receivable | 4,522 |
| Pledges receivable, current portion | 100,000 |
| Prepaid expenses | 4,435 |
| Total Current Assets | <u>235,365</u> |

FIXED ASSETS

| | |
|--------------------------------|------------------|
| Furniture and equipment | 261,941 |
| Improvements | 35,562 |
| Buildings | 1,961,409 |
| Land | 325,784 |
| Vehicles | 4,794 |
| Less: Accumulated Depreciation | <u>(165,229)</u> |
| Total Fixed Assets | <u>2,424,261</u> |

OTHER ASSETS

| | |
|---------------------------|----------------|
| Construction in progress | <u>811,388</u> |
| Total Other Assets | <u>811,388</u> |

TOTAL ASSETS

\$3,471,014

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

| | |
|----------------------------------|----------------|
| Accounts payable | \$ 137,511 |
| Credit cards payable | 43,779 |
| Accrued payroll taxes | 2,550 |
| Accrued payroll | 42,111 |
| Sales tax payable | 201 |
| Line of credit | 5,200 |
| Due to officers current portion | 124,278 |
| Current portion of loans payable | 40,605 |
| Total Current Liabilities | <u>396,235</u> |

LONG TERM LIABILITIES

| | |
|---------------------------------------|------------------|
| Due to officers, less current portion | 284,572 |
| Loans payable, less current portion | <u>1,659,467</u> |
| Total Long Term Liabilities | <u>1,944,039</u> |

NET ASSETS

| | |
|-------------------------|------------------|
| Unrestricted | 1,130,740 |
| Temporarily restricted | - |
| TOTAL NET ASSETS | <u>1,130,740</u> |

TOTAL LIABILITIES AND NET ASSETS

\$3,471,014

The Accompanying Notes to Financial Statements are an integral part of this statement

HART for Animals, Inc.
Statement of Activities
For the year ended December 31, 2015

| | Unrestricted | Temporarily Restricted | Total |
|--|---------------------|---------------------------|---------------------|
| SUPPORT AND REVENUE | | | |
| Government grants | \$ 19,301 | \$ 419,423 | \$ 438,724 |
| Bredel Center income | 367,324 | - | 367,324 |
| Contributions | 305,238 | - | 305,238 |
| Bed 'n Bark Inn income | 156,563 | - | 156,563 |
| Direct public grants | 31,208 | 105,000 | 136,208 |
| Special events | 91,114 | - | 91,114 |
| Muttworks income | 50,099 | - | 50,099 |
| Pick of the Litter income | 31,295 | - | 31,295 |
| HART Shoppe income | 5,404 | - | 5,404 |
| Investment income | 4,495 | - | 4,495 |
| TOTAL REVENUE | 1,062,041 | 524,423 | 1,586,464 |
| (Increase in Net Assets) | | | |
| Net assets released from restrictions satisfied by payments | 524,423 | (524,423) | - |
| Total Revenue and Support | 1,586,464 | - | 1,586,464 |
| EXPENSES | | | |
| Program Service Expenses | | | |
| Salaries and wages | 399,867 | - | 399,867 |
| Supplies | 144,680 | - | 144,680 |
| Depreciation expense | 89,361 | - | 89,361 |
| Interest expense | 74,020 | - | 74,020 |
| Program expense | 65,415 | - | 65,415 |
| Payroll expenses | 47,641 | - | 47,641 |
| Repairs & maintenance | 28,651 | - | 28,651 |
| Utilities | 26,756 | - | 26,756 |
| Insurance | 25,514 | - | 25,514 |
| Loss on disposal of assets | 24,869 | - | 24,869 |
| Advertising | 20,733 | - | 20,733 |
| Laboratory fees | 16,427 | - | 16,427 |
| Service charges | 13,022 | - | 13,022 |
| Small furniture and equipment | 11,376 | - | 11,376 |
| Event expenses | 11,047 | - | 11,047 |
| Property taxes | 7,053 | - | 7,053 |
| Workers Compensation | 6,159 | - | 6,159 |
| Automobile expense | 5,036 | - | 5,036 |
| Office expense | 4,874 | - | 4,874 |
| Travel | 4,244 | - | 4,244 |
| Printing & copying lease expense | 3,874 | - | 3,874 |
| Postage & delivery | 3,769 | - | 3,769 |
| Licenses and permits | 1,237 | - | 1,237 |
| Uniforms | 746 | - | 746 |
| Total Program Service Expenses | 1,036,371 | - | 1,036,371 |
| Management & General Expenses | | | |
| Salaries and wages | 173,668 | - | 173,668 |
| Legal & professional | 12,391 | - | 12,391 |
| Miscellaneous | 5,412 | - | 5,412 |
| Staff development | 3,818 | - | 3,818 |
| Membership and subscriptions | 534 | - | 534 |
| Total Management & General Expenses | 195,823 | - | 195,823 |
| TOTAL EXPENSES | 1,232,194 | - | 1,232,194 |
| (Decrease in Net Assets) | | | |
| CHANGE IN NET ASSETS | 354,270 | - | 354,270 |
| NET ASSETS, BEGINNING OF YEAR | 776,470 | - | 776,470 |
| NET ASSETS, END OF YEAR | \$ 1,130,740 | \$ - | \$ 1,130,740 |

HART for Animals, Inc.
Statement of Cash Flows
For the year ended December 31, 2015

CASH FLOWS FROM OPERATING ACTIVITIES

| | |
|---|------------|
| Increase in net assets | \$ 354,270 |
| Adjustments to reconcile increases in net assets to net cash provided by (used in) operating activities | |
| Depreciation expense | 89,361 |
| Decrease in inventory | 9,823 |
| Decrease in payroll taxes payable | (2,586) |
| Decrease in pledges receivable | 100,000 |
| Decrease in sales tax payable | (482) |
| Increase in accounts payable | 76,054 |
| Increase in accounts receivable | (2,711) |
| Increase in accrued payroll taxes | 2,550 |
| Increase in accrued wages | 7,261 |
| Increase in credit cards payable | 10,507 |
| Increase in prepaid expenses | (4,435) |
| Loss on disposals | 24,869 |
| <i>Net cash provided by operating activities</i> | 664,481 |

CASH FLOWS FROM INVESTING ACTIVITIES

| | |
|--|-----------|
| Noncash donations | (120,068) |
| Cost of construction in progress | (767,196) |
| Sale of machinery and equipment | 28,500 |
| <i>Net cash used in investing activities</i> | (858,764) |

CASH FLOWS FROM FINANCING ACTIVITIES

| | |
|--|----------|
| Payments on debt | (82,548) |
| Proceeds from new loan | 258,100 |
| <i>Net cash provided by financing activities</i> | 175,552 |

NET CHANGE IN CASH AND CASH EQUIVALENTS (18,731)

CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR 71,316

CASH AND CASH EQUIVALENTS, END OF YEAR \$ 52,585

SCHEDULE OF NONCASH INVESTING and FINANCING ACTIVITIES:

| | |
|---|------------|
| Notes payable incurred to purchase fixed assets | \$ 252,900 |
|---|------------|

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:

| | |
|---------------|-----------|
| Interest paid | \$ 74,020 |
|---------------|-----------|

HART for Animals, Inc.
Notes to Financial Statements
December 31, 2015

Note 1: Summary of Operating Entity and Significant Accounting Policies

Nature of Activities

HART for Animals, Inc. purpose is to serve the public interest by reducing the number of homeless or unwanted companion animals in Garrett County; to help guard public health by establishing a program for vaccinating, neutering and spaying incoming animals to reduce the spread of communicable and reportable diseases, i.e., rabies, parvo virus, feline leukemia, and others; to raise funds to build and operate a facility to temporarily or permanently house rescued and relinquished companion animals; to create an endowment fund to sustain the operation of the facility into the future; to create educational opportunities that will serve the needs of Garrett County residents; to recruit volunteers that will assist the Corporation in achieving its purpose; to provide community education pertaining to animal care and welfare; and to assist the county's animal control efforts by supporting those actions that may fall within the stated purpose of the organization.

Financial Statement Presentation

HART reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted. The determination of net asset class is established by the existence or absence of legally enforceable restrictions from outside of HART and its board of directors. If no outside restrictions exist, then all net assets are recorded as unrestricted.

HART's net assets have been grouped into the following three classes:

- **Unrestricted Net Assets** - includes those net assets whose use is not restricted by the provider even though their use may be limited in other respects.
- **Temporarily Restricted Net Assets** - represents resources that may be utilized only in accordance with the restricted purposes established by the provider of such funds.
- **Permanently Restricted Net Assets** - represents resources for which the principal is to be maintained intact and the income may only be spent in accordance with the intent of the donor / provider.

Basis of Accounting

The HART for Animals, Inc. prepares its financial statements on the accrual basis of accounting, in accordance with generally accepted accounting principles. Therefore, revenues are recognized when earned rather than when received, and expenses are recognized when the obligation is incurred rather than when cash is disbursed.

HART for Animals, Inc.
Notes to Financial Statements
December 31, 2015

Note 1: Summary of Operating Entity and Significant Accounting Policies- Continued

Basis of Accounting - continued

Support is recognized when contributions are received. All contributions are considered available for unrestricted use unless specifically restricted by the donor or subject to other legal restrictions.

Revenues are recorded when earned rather than when received. Therefore, related accounts receivables represent revenues earned but not yet received. Related deferred revenue represents grants received but not yet earned as of December 31, 2015.

Cash and Cash Equivalents

For purposes of the statement of cash flows, HART considers all highly liquid assets (including restricted assets, if any) with maturity of three months or less when purchased to be cash equivalents.

Investments

HART carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the statement of financial position. Investment income and realized investment gains and losses are included in changes in unrestricted, temporarily restricted and permanently restricted net assets based on relevant law and donor restrictions.

The Foundation's investment portfolio is administered under a revocable trust agreement by Edward Jones, Oakland, Maryland.

Comparative Data and Reclassifications

Comparative data for the prior year have been presented in certain sections of the accompanying financial statements in order to provide an understanding of changes in the Foundation's financial position and operations. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

Accounts Receivable and Bad Debts Expense

HART reports accounts receivable net of an allowance for doubtful accounts. Under the allowance method of handling bad debts, an estimate of the total uncollectible accounts is calculated and periodically evaluated. HART did not record any bad debt expense for the year ended December 31, 2015.

Receivables are charged to bad debt expense when they are determined to be uncollectible based upon a periodic review of the accounts by management. Accounting principles generally accepted in the United States of America require that the allowance method be used to recognize bad debts; however, the effect of using the direct write-off method is not materially different from the results that would have been obtained under the allowance method.

HART for Animals, Inc.
Notes to Financial Statements
December 31, 2015

Note 1: Summary of Operating Entity and Significant Accounting Policies- Continued

Property and Equipment

HART follows the practice of capitalizing all expenditures for equipment and improvements in excess of \$2,500. Maintenance and repairs are charged to expenses as incurred.

Depreciation is provided on a straight-line basis over the estimated useful lives of the assets that range from three to ten years for autos and equipment, and thirty years for buildings. Leasehold improvements are amortized over the remaining life of the lease.

When fixed assets are retired or otherwise disposed of, the cost is removed from the asset account and the related depreciation is adjusted with the difference being charged to income as either a gain or loss.

Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted in writing the donated asset to a specific purpose.

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.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted net assets depending on the existence or nature of any donor restrictions.

Functional Expenses

HART allocates its expenses on a functional basis among the various programs. Expenses that can be identified with a specific program are allocated directly according to their natural expenditure classification. Other expenses that are common to many programs are allocated by various statistical methods.

Pledges

HART reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are

HART for Animals, Inc.
Notes to Financial Statements
December 31, 2015

Note 1: Summary of Operating Entity and Significant Accounting Policies- Continued

Pledges- Continued

reflected as unrestricted contributions in the accompanying financial statements.

Advertising

The cost of advertising has been expensed as incurred. Advertising costs are incurred for both supporting services and program services.

Income Tax Status

HART is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and did not conduct unrelated business activities. Therefore, the Board has not made any provisions for federal income taxes in the accompanying financial statements. Additionally, HART for Animals, Inc. has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of section 509(a) of the Internal Revenue Code.

HART adopted the provisions of FASB ASC 740-10-25 (formerly FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes ["FIN 48"]) on July 1, 2009. Under FIN 48, an organization must recognize the tax benefit associated with tax positions taken for tax return purposes when it is more likely than not the position will be sustained. The implementation of FIN 48 had no impact on HART's financial statements. HART does not believe there are any material uncertain tax positions and, accordingly, it will not recognize any liability for unrecognized tax liabilities. No interest or penalties were accrued as of July 1, 2010, as a result of the adoption of FIN 48. For the year ended December 31, 2015, there were no interest or penalties recorded or included in its consolidated financial statements.

HART's Federal Exempt Organization Business Income Tax Returns (Form 990) for 2013, 2014, and 2015 are subject to examination by the IRS, generally for three years after they were filed.

Inventories

Inventories, which consist primarily of medical supplies, are valued at the lower of cost or market. Cost is determined on the first-in, first-out method. Donated items are recorded at estimated fair value at the date of donation.

Note 2: Deposits with Financial Institutions

At December 31, 2015, the carrying amount of deposits was \$52,585 and the bank balance was \$69,318.

HART's bank balance was either covered by Federal Deposit Insurance Corporation (FDIC) or was covered by collateral.

HART for Animals, Inc.
Notes to Financial Statements
December 31, 2015

Note 3: Accounts Receivable

Accounts receivable at December 31, 2015 is comprised of the following:

| | | |
|------------------------------|----|--------------|
| Adoption & Rescue Receivable | \$ | 3,000 |
| Bredel Center Receivable | | <u>1,522</u> |
| | \$ | <u>4,522</u> |

Note 4: Pledges Receivable

Pledges receivable represent amounts due to HART for legally enforceable pledges. These pledges are payable in full or in part through December 31, 2016.

Sources are as follows:

| | <u>2015</u> |
|------------------|-------------------|
| Long-term pledge | <u>\$ 100,000</u> |
| Total | <u>\$ 100,000</u> |

Pledges receivable as of December 31, 2015 are unrestricted. These unconditional promises to give are scheduled to be received by HART over the next several years, and are considered to be fully collectible.

| | <u>2015</u> |
|----------------------------------|-------------------|
| Receivable in less than one year | <u>\$ 100,000</u> |
| Total pledges receivable | <u>\$ 100,000</u> |

Note 5: Property, Plant, and Equipment

Property and equipment is accounted for at cost and the value at December 31, 2015, consists of the following:

| | |
|-------------------------------|---------------------|
| Furniture & Equipment | \$ 261,941 |
| Improvements | 35,562 |
| Buildings | 1,961,409 |
| Land | 325,784 |
| Vehicles | <u>4,794</u> |
| | 2,589,490 |
| Less accumulated depreciation | <u>165,229</u> |
| Net property and equipment | <u>\$ 2,424,261</u> |

Construction in Progress totaled \$811,388 which consisted of the second phase of the facility which will be for the adoption wing.

HART for Animals, Inc.
Notes to Financial Statements
December 31, 2015

Note 6: Long-Term Debt

HART's long-term debt consists of the following:

| | |
|--|---------------------|
| United States Department of Agriculture loan dated August 12, 2013 due in monthly installments of \$7,420 through August 2043 at 3.50% interest. | \$ 1,580,359 |
| Garrett County Department of Public Utilities loan dated January 1, 2012 due in monthly installments of \$1,354 through January 1, 2027 at 1% interest. | 57,560 |
| United States Department of Agriculture loan dated December 31, 2014 due in monthly installments of \$289 through December 31, 2044 at 3.5% interest. | <u>62,153</u> |
| Total | <u>\$ 1,700,072</u> |

The annual requirements to amortize the above debt outstanding at December 31, 2015 including interest in the amount of \$920,312 is as follows:

| | |
|------------|--------------------|
| 2016 | \$ 97,924 |
| 2017 | 97,924 |
| 2018 | 97,924 |
| 2019 | 97,924 |
| 2020 | 97,924 |
| Thereafter | <u>2,130,764</u> |
| Total: | <u>\$2,620,384</u> |

Note 7: Related Parties

The Corporation is indebted to officers of HART for Animals, Inc. As of December 31, 2015, the net Due to Officer consists of the following:

| | |
|---|------------------|
| Nancy Squires loan dated October 20, 2015 due with principal only semi annual installments of \$50,000 and \$20,000 with an interest payment of \$2,450 in 2016. No payments were made in 2015. Monthly installments of \$3,500 will begin in 2017. | \$250,000 |
| Pellet loan dated December 31, 2014 due in monthly installments of \$4,914 through November 1, 2018 at 3.5% interest. | <u>158,850</u> |
| Total | <u>\$408,850</u> |

HART for Animals, Inc.
Notes to Financial Statements
December 31, 2015

Note 7: Related Parties- continued

The annual requirements to amortize the above debt outstanding at December 31, 2015 including interest in the amount of \$25,988 is as follows:

| | |
|------------|-------------------|
| 2016 | \$ 131,422 |
| 2017 | 100,972 |
| 2018 | 91,144 |
| 2019 | 42,000 |
| 2020 | 42,000 |
| Thereafter | <u>27,300</u> |
| Total: | <u>\$ 434,838</u> |

Note 8: Contributed Services

HART for Animals, Inc. receives a significant amount of donated services from unpaid volunteers assisting HART in its various programs. The value of this contributed time is not reflected in the accompanying financial statements because it does not meet the criteria for recognition under generally accepted accounting standards.

Note 9: Risk Management

Significant losses are covered by commercial insurance for all major programs. There have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current or three prior years.

HART has not recorded an estimated liability for costs incurred in excess of insurance coverage or torts, and other claims against HART. Based on historical experience, HART expects any such costs to be immaterial.

Note 10: Compensated Absences

Employees of the Organization are entitled to paid vacation, paid sick days, and personal days off, depending on job classification, length of service, and other factors. It is impracticable to estimate the amount of compensation for future absences, and accordingly, no liability has been recorded in the accompanying financial statements. The Organization's policy is to recognize the costs of compensated absences when actually paid to employees.

HART for Animals, Inc.
Notes to Financial Statements
December 31, 2015

Note 11: Investments

Investments as reflected in the accompanying financial statements as of December 31, 2015 consisted of the following:

| | 2015 | |
|--------------|-----------|-----------|
| | Cost | FMV |
| Common Stock | \$ 48,446 | \$ 49,655 |
| TOTALS: | \$ 48,446 | \$ 49,655 |

A summary of return on investments consists of the following for the year ended December 31, 2015:

| | 2015 |
|------------------------|----------|
| Interest and dividends | \$ 4,495 |
| Total Return | \$ 4,495 |

Note 12: Fair Value Measurements

Fair values of assets measured on a recurring basis at December 31, 2015 are as follows:

| | Fair Value | Fair Value Measurements at Reporting Date Using: | | |
|---------------------------------|------------|--|---|--|
| | | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| December 31, 2015 | | | | |
| Equity Securities: | | | | |
| Business Software & Services | \$ 49,655 | \$ 49,655 | \$ - | \$ - |
| Total Equity Securities | 49,655 | 49,655 | - | - |
| Total | \$ 49,655 | \$ 49,655 | \$ - | \$ - |

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, Fair Value Measurements and Disclosures, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820-10 are described as follows:

- Level 1 inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that HART has the ability to access.
- Level 2 inputs to the valuation methodology include the following:
 - Quoted prices for similar assets or liabilities in active markets
 - Quoted prices for identical or similar assets or liabilities in inactive markets
 - Inputs other than quoted prices that are observable for the asset or liability

HART for Animals, Inc.
Notes to Financial Statements
December 31, 2015

Note 12: Fair Value Measurements- continued

- Inputs that are derived principally from, or corroborated by, observable market data by correlation or other means
- If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.
- Level 3 inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value.

There have been no changes in the methodologies used at December 31, 2015.

Equity securities are valued at the closing price reported on the active market on which the individual securities are traded.

The preceding methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although HART believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Note 13: Evaluation of Subsequent Events

HART has evaluated, for possible financial statement disclosure, subsequent events through August 31, 2016, the date which the financial statements were available to be issued, and have determined there were no such events.