

**HART for Animals, Inc.**

**Financial Report**

**December 31, 2018**

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

HART for Animals, Inc.  
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December 31, 2018

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

### INDEPENDENT AUDITORS' REPORT

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

***Other Matters***

*Change in Accounting Standards*

As described in Note 2 to the financial statements, in 2018, HART for Animals, Inc. adopted new accounting guidance, FASB Accounting Standards Update No. 2016-04, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities. Our opinion is not modified with respect to this matter.

*Tumbully Hoover & Kahl P.A.*

Oakland, Maryland

August 29, 2019

HART for Animals, Inc.  
Statement of Financial Position  
December 31, 2018

**Assets**

**Current Assets**

Cash and cash equivalents	\$ 123,824
Pledges receivable, current portion	58,067
Inventory, at cost	29,764
Accounts receivable	5,179
Prepaid expenses	618
Employee advances	200
<b>Total Current Assets</b>	<u>217,652</u>

**Other Assets**

Pledges receivable, net- long term portion	<u>559,613</u>
<b>Total Other Assets</b>	<u>559,613</u>

**Property, Plant, and Equipment**

Buildings	2,945,423
Land	325,784
Furniture and equipment	237,309
Improvements	57,451
Vehicles	3,165
Less: accumulated depreciation	<u>(454,953)</u>
<b>Net Property, Plant, and Equipment</b>	<u>3,114,179</u>

<b>Total Assets</b>	<u><u>\$ 3,891,444</u></u>
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**Liabilities and Net Assets**

**Current Liabilities**

Accounts payable	\$ 57,371
Accrued payroll	32,372
Credit cards payable	31,202
Accrued leave	17,109
Deferred revenue	7,000
Accrued payroll taxes	2,839
Sales tax payable	285
Loans payable, current portion	89,465
Due to officers, current portion	42,686
<b>Total Current Liabilities</b>	<u>280,329</u>

**Long Term Liabilities**

Loans payable, less current portion	1,529,714
Due to officers, less current portion	<u>237,314</u>
<b>Total Long Term Liabilities</b>	<u>1,767,028</u>

<b>Total Liabilities</b>	<u>2,047,357</u>
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**Net Assets**

Without Donor Restrictions	1,008,700
With Donor Restrictions	<u>835,387</u>
<b>Total Net Assets</b>	<u>1,844,087</u>

<b>Total Liabilities and Net Assets</b>	<u><u>\$ 3,891,444</u></u>
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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, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b><u>Support and Revenue</u></b>			
<b>Support:</b>			
Contributions	\$ 618,568	\$ -	\$ 618,568
Direct public grants	40,245	-	40,245
Special events	95,891	-	95,891
Government grants	-	43,035	43,035
<b>Total Support</b>	<u>754,704</u>	<u>43,035</u>	<u>797,739</u>
<b>Revenue:</b>			
Bredel Center income	480,595	-	480,595
Bed 'n Bark Inn income	263,876	-	263,876
Muttworks income	58,699	-	58,699
Adoption and Rescue income	53,847	-	53,847
Pick of the Litter income	32,587	-	32,587
HART Shoppe income	15,603	-	15,603
Investment income	363	-	363
<b>Total Revenue</b>	<u>905,570</u>	<u>-</u>	<u>905,570</u>
<b>Net assets released from restrictions satisfaction of purpose restrictions</b>	<u>111,427</u>	<u>(111,427)</u>	<u>-</u>
<b>Total Support and Revenue (Increase in Net Assets With/Without Donor Restrictions)</b>	<u>1,771,701</u>	<u>(68,392)</u>	<u>1,703,309</u>
<b>Expenses</b>			
Program Service Expenses	1,300,596	-	1,300,596
Management & General Expenses	229,059	-	229,059
<b>Total Expenses (Decrease in Net Assets With/Without Donor Restrictions)</b>	<u>1,529,655</u>	<u>-</u>	<u>1,529,655</u>
<b>Increase (Decrease) in Net Assets With/Without Donor Restrictions</b>	242,046	(68,392)	173,654
<b>Net Assets With/Without Donor Restrictions, Beginning of Year</b>	<u>766,654</u>	<u>903,779</u>	<u>1,670,433</u>
<b>Net Assets With/Without Donor Restrictions, End of Year</b>	<u>\$ 1,008,700</u>	<u>\$ 835,387</u>	<u>\$ 1,844,087</u>

**HART for Animals, Inc.**  
**Statement of Functional Expenses**  
**For the Year Ended December 31, 2018**

	Bredel Center	Bed 'n Bark Inn	Muttworks	Pick of the Litter	Adoption & Rescue	HART Shoppe	Total Program Services	Management & General	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Salaries and wages	183,747	141,161	43,549	12,731	193,384	-	574,372	94,473	669,045
Administration services	24,380	10,835	10,835	-	20,688	-	20,688	1,690	22,378
Customer service	4,253	17,012	17,012	-	5,418	-	51,468	2,709	54,177
Facility services	183,227	1,382	2,864	1,243	4,252	-	42,529	-	42,529
Supplies	25,206	15,680	1,848	-	14,323	10,016	213,055	7,790	220,845
Depreciation expense	8,611	14,573	662	-	49,164	-	91,898	21,720	113,618
Interest expense	17,840	14,197	5,997	662	21,860	-	46,368	19,873	66,241
Payroll expenses	5,908	9,998	5,997	1,069	18,794	-	57,897	-	57,897
Utilities	4,886	8,268	376	454	14,997	454	32,265	13,200	45,465
Repairs & maintenance	4,236	7,168	326	376	12,403	376	26,685	10,899	37,584
Insurance	3,837	6,494	295	326	10,752	326	23,134	9,429	32,563
Event expenses	3,368	5,700	259	259	9,741	-	20,662	8,856	29,518
Loss on disposal of assets	1,860	3,148	-	-	8,550	-	18,136	7,772	25,908
Laboratory fees	1,669	2,824	143	143	4,722	-	19,303	-	19,303
Service charges	1,325	2,243	102	128	10,016	-	10,016	4,293	14,309
Workers compensation	-	-	102	102	4,236	-	8,985	3,850	12,835
Legal & professional	1,296	2,194	100	100	3,364	-	7,136	3,059	10,195
Program expense	813	1,375	63	63	1,552	-	1,552	9,981	11,533
Advertising	809	1,370	62	62	3,291	63	6,981	8,429	15,413
Property taxes	3,862	-	-	-	2,063	-	4,440	2,992	9,973
Printing & copying lease expense	429	727	-	-	2,055	-	4,358	1,813	6,253
Contract veterinarians	403	-	-	-	-	-	3,862	1,868	6,226
Postage & delivery	382	683	33	33	1,090	-	2,312	-	3,862
Office expense	258	647	31	31	1,024	-	2,172	991	3,303
Small furniture and equipment	224	436	29	294	971	-	2,323	618	3,103
Miscellaneous	-	379	17	20	654	-	1,388	2,941	4,944
Travel	-	218	58	17	569	-	1,206	596	1,984
Uniforms	176	298	14	14	1,179	-	1,455	517	1,723
Licenses and permits	635	152	-	-	446	-	948	32	1,487
Staff development	-	-	-	-	260	-	1,047	405	1,353
Automobile expense	109	185	8	8	277	-	587	-	968
Membership and subscriptions	-	-	-	-	-	-	-	254	254
<b>Total</b>	<b>\$ 503,253</b>	<b>\$ 269,346</b>	<b>\$ 85,285</b>	<b>\$ 18,429</b>	<b>\$ 413,048</b>	<b>\$ 11,235</b>	<b>\$ 1,300,596</b>	<b>\$ 229,059</b>	<b>\$ 1,529,655</b>

HART for Animals, Inc.  
Statement of Cash Flows  
For the year ended December 31, 2018

**CASH FLOWS FROM OPERATING ACTIVITIES**

Increase in net assets	\$ 173,654
Adjustments to reconcile increases in net assets to net cash provided by (used in) operating activities	
Depreciation expense	113,618
Loss on disposal of fixed assets	19,503
Decrease in accounts payable	(73,067)
Decrease in accrued payroll taxes	(2,252)
Decrease in accrued wages	(25,199)
Decrease in credit cards payable	(26,647)
Amortization of discount on pledges	(20,988)
Decrease in pledges receivable	58,066
Decrease in prepaid expenses	1,241
Decrease in line of credit	(19,787)
Increase in accounts receivable	(1,272)
Increase in accrued leave	1,066
Increase in employee advances	(100)
Increase in inventory	(4,792)
Increase in sales tax payable	32
Increase in deferred revenue	7,000
<i>Net cash provided by operating activities</i>	200,075

**CASH FLOWS FROM INVESTING ACTIVITIES**

Noncash donations	(85,000)
Purchase of property, plant & equipment	(8,519)
<i>Net cash provided by investing activities</i>	(93,519)

**CASH FLOWS FROM FINANCING ACTIVITIES**

Payments on debt	(105,710)
Proceeds from new loan	103,199
<i>Net cash used in financing activities</i>	(2,511)

**NET CHANGE IN CASH AND CASH EQUIVALENTS** 104,045

**CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR** 13,373

**CASH AND CASH EQUIVALENTS, END OF YEAR** \$ 117,418

**SCHEDULE OF NONCASH INVESTING and FINANCING ACTIVITIES:**

    Notes payable incurred to purchase fixed assets \$ 7,564

**SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:**

    Interest paid \$ 45,465

HART for Animals, Inc.  
Notes to Financial Statements  
December 31, 2018

**Note 1.**      **Nature of Activities**

HART for Animals, Inc. (the Organization) is a nonprofit corporation incorporated under the general laws of the State of Maryland on May 13, 2003. Operating under a Board of Directors, the Organizations 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 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. The major sources of revenue are from contributions, fundraisers, and income from veterinary services.

**Description of Program and Supporting Services**

The following program and supporting services are included in the accompanying financial statements:

**Bredel Center**

The Bredel Center is a full service veterinary practice, providing preventive and healing veterinary services for cats, dogs, and pocket pets. The services of the Bredel Veterinary Clinic are designed to improve the lives of companion animals and reinforce the human-animal connection. Services include: consultations, examinations, surgeries, vaccinations, spay and neuter surgeries, dental procedures, digital radiology, and laboratory tests. The Bredel Clinic also receives grants that cover low cost and no cost surgeries for low income residence residing in Maryland, West Virginia, and Pennsylvania.

**Bed 'n Bark Inn**

The Bed N Bark Inn is a luxurious pet hotel that offers vacation days or overnight stays to those in need of boarding their feline and canine companions. The hotel offers multiple spacious dog dens and cat condos, 24 hour security, lots of exercise, and tons of hugs and love to ensure all of its guests are safe and happy during their stay.

**MUTTWorks**

MUTTWorks is a full-service grooming spa for dogs of all sizes and shapes.

*Note 1. Nature of Activities - continued*

**Description of Program and Supporting Services- continued**

**Pick of the Litter**

HART for Animals operates its thrift shop at McHenry Plaza as a way of raising funds for its various animal welfare programs. Opened in April 2013, the store has become a stopping place for residents and visitors, with its selection of housewares, lawn and garden items, baby furniture, children's toys, small appliances, pet toys and accessories, and other household items

**Adoption & Rescue**

Since 2003, HART for Animals, Inc. has been working with the Garrett County Animal Shelter to rescue the animals that arrive at the shelter and are not adopted. Due to the shelter's space limitations, animals who were not adopted immediately were euthanized to allow room for other incoming animals. By working cooperatively with the shelter and with Rescue Groups, HART is able to rescue and transport 50% of the animals arriving at the shelter.

Any animals brought into the shelter are evaluated by HART's Rescue Coordinator and all adoptable animals are either transported or brought to HART's adoption center. Any tests and vaccinations needed are administered and all animals being adopted at the center are spayed/ neutered prior to their adoption. The adoption manager evaluates all potential adopters to ensure the pet goes to the best suited home. Although the adoption wing finds home for many animals, HART still continues to do transports to rescue groups in surrounding metropolitan areas, where some of the animals have a greater chance of being adopted.

**HART Shoppe**

The HART Shoppe is a small retail corner located in the main HART for Animals lobby. The purpose of this store is to bring in extra income when clients are visiting the other main revenue centers. Many customers who adopt a new pet purchase leashes, collars, crates, and pet food to ensure the pet has everything it needs to spend its first days in its new forever home. Other clients checking out from the Bredel Clinic tend to purchase items recommended by the vet clinic such as pill pockets and calming sprays. Clients dropping off their animals at the Bed N Bark Inn sometimes purchase toys to make their pets feel happy as they leave them for a long stay. There are also several grooming tools that those visiting MuttWorks may like to purchase. Other items for sale include t-shirts, candles, pet beds, deep creek lake maps, and more. The HART Shoppe although small offers a variety of items both for humans and their furry companions.

**Note 2.**

**Significant Accounting Policies**

**Basis of Accounting**

The HART for Animals, Inc. prepares its financial statements on the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America. 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.

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 for the fiscal year. Therefore, related accounts receivables represent revenues earned but not yet received.

**Financial Statement Presentation**

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB); the Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. A description of the two classes of net assets is as follows:

Net assets without donor restrictions – This class represents those net assets whose use is not restricted by the donor even though their use may be limited in other respects.

Net assets with donor restrictions – This class represents those net assets whose use is restricted by the donor for specific use for the contributed asset that is more specific than broad limits resulting from the nature of the organization, the environment in which it operates, and the purposes specified in its articles of incorporation. 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.

The Organization reports information regarding its financial position and activities according to the recommendations of the Financial Accounting Standards Board. The determination of net asset class is established by the existence or absence of legally enforceable restrictions from outside of the Organization and its board of directors. If no outside restrictions exist, then all net assets are recorded as without donor restrictions. As of December 31, 2018 net assets without donor restrictions totaled \$1,008,700 and net assets with donor restrictions totaled \$835,387.

Net assets with donor restrictions are restricted for adoption center veterinary care (\$667,457), and HART help surgeries (\$167,930).

Note 2.

**Significant Accounting Policies- continued**

**Program Services**

Program services encompass activities directly and indirectly related to providing low cost animal services to Garrett County residents and surrounding areas.

**Cash and Cash Equivalents**

For purposes of the statements of financial position the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

**Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities in the financial statements and disclosures. Actual results could differ from those estimates.

**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. Receivables are charged to bad debt expense when they are determined to be uncollectible based upon a periodic review of the accounts by management.

HART did not record any bad debt expense for the year ended December 31, 2018.

The carrying amount approximates fair value because of the short-term maturity of these instruments.

**Donated Pick of the Litter Items**

Donations of Pick of the Litter Thrift Shop items are not valued, nor is an inventory of such items used for financial reporting. This accounting treatment is based on ASC 958, *Contributions Received*, where a major uncertainty about the existence of value may indicate that an item received or given should not be recognized. ASC 845, *Initial Measurement*, also applies that fair value should be regarded as not determinable within reasonable limits if major uncertainties exist about the realizability of the value. Revenue from donated Pick of the Litter Thrift Shop inventory is recognized when the inventory is sold.

HART for Animals, Inc.  
Notes to Financial Statements  
December 31, 2018

*Note 2. Significant Accounting Policies- continued*

**Property and Equipment**

HART follows the practice of capitalizing all expenditures for property, plant, and equipment and improvements in excess of \$2,500 with a useful life exceeding one year. Property, plant and equipment purchased is capitalized at cost. 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 with no salvage value assigned. Leasehold improvements are amortized over the remaining life of the lease.

When property, plant, and equipment 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.

Furniture and equipment, improvements, buildings, land, and vehicles totaled \$3,569,132 at December 31, 2018 less accumulated depreciation of \$454,953.

**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. Management has reviewed the Organization's tax positions for all open tax years (tax years after December 31, 2015) and has determined that no provision for income taxes is required in the financial statements, in accordance with financial and accounting disclosure requirements for recognition and measurement of tax positions taken or expected to be taken on a U.S. income tax return. 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.

**Note 2.**

**Significant Accounting Policies- continued**

**Functional Allocation of Expenses**

The costs of providing program services and general and administrative activities have been summarized on a functional basis in the statement of activity. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Such allocations are determined by management on an equitable basis. Salaries and wages, payroll taxes, and insurance are allocated based on time and effort. The remaining expenses are allocated based on square footage utilized.

**Contributions**

Contributions received are recorded as with donor restrictions or without donor restrictions depending on the existence and nature of any donor restrictions. Support that is not restricted by the donor is reported as an increase in net assets without donor restrictions. All other donor restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires (that is when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities as net assets released from restrictions. Restricted contributions whose restrictions are met in the same reporting period are recorded as without donor restrictions.

**Pledges Receivable**

The pledges receivable balance is based on management's best estimate of the amounts expected to be collected. There are no allowances as of December 31, 2018. The amounts that HART will ultimately realize could differ from the amounts assumed in arriving at the present value. Amounts due are recorded at the net realizable value discounted using a discount rate of 2.60% for the year ended December 31, 2018. HART's policy is to write-off all pledges receivable that are deemed to be uncollectible.

**Advertising**

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

**Note 2. Significant Accounting Policies- continued**

**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.

**Prepaid expenses**

Prepaid expenses include expenditures for insurances and licenses.

**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. Any accrued and unused paid leave will be paid upon termination. An employee can earn leave with every pay which can generally be carried over to following fiscal years. As of December 31, 2018 the liability for accrued leave was \$17,109.

**Recent Accounting Standards Adopted**

In August 2016, Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) Number 2016-14, "Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities" (ASU 2016-14). The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization adopted ASU 2016-14 during the year ended December 31, 2018.

The new standards change the following aspects of the Organization's financial statements:

- The temporary restricted net asset class has been renamed net assets with donor restrictions.
- The unrestricted net asset class has been renamed net assets without donor restrictions.
- The financial statements include a new disclosure about liquidity and availability of resources (note 5)

HART for Animals, Inc.  
Notes to Financial Statements  
December 31, 2018

**Note 3. Cash and Cash Equivalents**

Cash and cash equivalents are invested in interest bearing accounts at financial institutions and in money market funds. Accounts at each institution are insured for up to \$250,000 by the Federal Deposit Insurance Organization or are covered by a separate collateral agreement. At December 31, 2018, the carrying amount of deposits was \$123,824 and the bank balance was \$146,696.

**Note 4. Risks and Uncertainties**

The Organization is exposed to various risks of losses related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. Commercial insurance is purchased annually to cover the claims for all risk of loss. The Organization retains no risk for claims to the maximum amount of the policy except for deductible amounts.

**Note 5. Availability of Financial Assets**

The Organization's financial assets available within one year of the financial statement date for general expenditure are as follows:

Cash and cash equivalents	\$ 123,824
Accounts receivable	5,179
Pledges receivable, current portion	58,067
	<u>\$ 187,070</u>

HART for Animals, Inc. is substantially supported by contributions, fundraising, and fees collected for services. The Organization's goal is generally to maintain financial assets to meet 30 days of operating expenses (approximately \$127,000). As part of its liquidity plan, excess cash is invested in short-term investments. The Organization has a \$20,000 line of credit available to meet cash flow needs.

HART for Animals, Inc.  
Notes to Financial Statements  
December 31, 2018

**Note 6. Accounts Receivable**

Accounts receivable at December 31, 2018 is comprised of the following:

Bredel Center Receivable	<u>\$ 5,179</u>
	<u>\$ 5,179</u>

**Note 7. Pledges Receivable**

Pledges receivable represent amounts due to HART for legally enforceable pledges. These pledges are due as follows at December 31, 2018.

Pledge receivable	\$ 725,523
Less: unamortized discount	<u>(107,843)</u>
Net pledges receivable	<u>\$ 617,680</u>
Amounts due in:	
Within one year	\$ 58,067
One to five years	290,335
Greater than five years	<u>377,121</u>
Total	<u>\$ 725,523</u>

The discount rates used to calculate the present value components are as follows:

	1-5 Years
2019	2.60%

**Note 8. Concentrations of Credit Risk**

HART maintains cash in bank accounts in amounts that do not exceed Federally insured limits. HART has not experienced any losses in these accounts in the past and believes that it is not exposed to significant credit risks because the accounts are deposited with major financial institutions.

HART believes that it has limited credit risk associated with remaining balance of accounts and pledges receivable due to the size of the amount owed and its donor base.

HART for Animals, Inc.  
Notes to Financial Statements  
December 31, 2018

**Note 9. 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.	\$ 1,468,964
United States Department of Agriculture loan dated December 31, 2014 due in monthly installments of \$289 through December 31, 2044 at 3.5% interest.	58,071
Garrett County Department of Public Utilities loan dated January 1, 2012 due in quarterly installments of \$1,354 through January 1, 2027 at 1% interest.	42,837
Garrett County Commissioners loan. No formal written agreement between the two parties. Verbal agreement of 0% interest and due by the end of 2019.	42,600
Idexx loan dated November 13, 2018 due in monthly Installments of \$210 through October 31, 2021 at 6.24% interest.	<u>6,707</u>
Total	<u>\$ 1,619,179</u>

The annual requirements to amortize the above debt outstanding at December 31, 2018 including interest in the amount of \$757,520 are as follows:

2019	\$ 143,045
2020	100,445
2021	100,233
2022	97,924
2023	97,924
Thereafter	<u>1,837,128</u>
Total:	<u>\$2,376,699</u>

HART for Animals, Inc.  
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December 31, 2018

**Note 10. Related Parties**

The Corporation is indebted to officers of HART for Animals, Inc. As of December 31, 2018, the net Due to Officer consists of the following:

Pellet loan dated December 31, 2014 due in monthly installments of \$4,317 through December 31, 2024 at 3.5% interest.	<u>\$ 280,000</u>
Total	<u>\$ 280,000</u>

The annual requirements to amortize the above debt outstanding at December 31, 2018 including interest in the amount of \$29,056 are as follows:

2019	\$ 51,806
2020	51,806
2021	51,806
2022	51,806
2023	51,806
Thereafter	<u>50,026</u>
Total:	<u>\$ 309,056</u>

**Note 11. Line of Credit**

HART for Animals has an unsecured financing agreement with its primary bank that permits multiple borrowings, at variable rates of interest, up to \$20,000. The Organization had a credit on the account for \$149 at December 31, 2018.

**Note 12. 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 13. Evaluation of Subsequent Events**

HART has evaluated, for possible financial statement disclosure, subsequent events through August 29, 2019, the date which the financial statements were available to be issued, and has determined there were no such events.