

HART for Animals, Inc.

Financial Report

December 31, 2019

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

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, 2019, 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, 2019, 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 21, 2020

HART for Animals, Inc.
Statement of Financial Position
December 31, 2019

Assets

Current Assets

Cash and cash equivalents	\$ 28,228
Pledges receivable, current portion	58,067
Inventory, at cost	34,372
Accounts receivable	3,648
Prepaid expenses	8,678
Employee advances	674
Total Current Assets	133,667

Other Assets

Pledges receivable, net- long term portion	517,202
Investment for sale	8,500
Total Other Assets	525,702

Property, Plant, and Equipment

Buildings	2,945,423
Land	325,784
Furniture and equipment	237,309
Improvements	81,489
Vehicles	36,507
Less: accumulated depreciation	(567,555)
Net Property, Plant, and Equipment	3,058,957

Total Assets	\$ 3,718,327
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Liabilities and Net Assets

Current Liabilities

Accounts payable	\$ 99,308
Accrued payroll	67,962
Credit cards payable	53,666
Line of Credit	20,000
Accrued leave	17,041
Accrued payroll taxes	6,164
Sales tax payable	266
Loans payable, current portion	73,703
Due to officers, current portion	60,649
Total Current Liabilities	398,759

Long Term Liabilities

Loans payable, less current portion	1,519,148
Due to officers, less current portion	208,074
Total Long Term Liabilities	1,727,222

Total Liabilities	2,125,981
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Net Assets

Without Donor Restrictions	818,441
With Donor Restrictions	773,906
Total Net Assets	1,592,347

Total Liabilities and Net Assets	\$ 3,718,327
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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, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<u>Support and Revenue</u>			
Support:			
Contributions	\$ 219,885	\$ -	\$ 219,885
Direct public grants	23,929	25,288	49,217
Special events	85,177	-	85,177
Government grants	-	38,131	38,131
Total Support	<u>328,991</u>	<u>63,419</u>	<u>392,410</u>
Revenue:			
Bredel Center income	549,781	-	549,781
Bed 'n Bark Inn income	270,003	-	270,003
Muttworks income	56,607	-	56,607
Adoption and Rescue income	47,587	-	47,587
Pick of the Litter income	39,224	-	39,224
HART Shoppe income	18,463	-	18,463
In Kind income	12,740	-	12,740
Investment income	828	-	828
Total Revenue	<u>995,233</u>	<u>-</u>	<u>995,233</u>
Net assets released from restrictions satisfaction of purpose restrictions	<u>124,900</u>	<u>(124,900)</u>	<u>-</u>
Total Support and Revenue (Increase in Net Assets With/Without Donor Restrictions)	<u>1,449,124</u>	<u>(61,481)</u>	<u>1,387,643</u>
Expenses			
Program Service Expenses	1,379,670	-	1,379,670
Management & General Expenses	259,713	-	259,713
Total Expenses (Decrease in Net Assets With/Without Donor Restrictions)	<u>1,639,383</u>	<u>-</u>	<u>1,639,383</u>
Increase (Decrease) in Net Assets With/Without Donor Restrictions	<u>(190,259)</u>	<u>(61,481)</u>	<u>(251,740)</u>
Net Assets With/Without Donor Restrictions, Beginning of Year	<u>1,008,700</u>	<u>835,387</u>	<u>1,844,087</u>
Net Assets With/Without Donor Restrictions, End of Year	<u>\$ 818,441</u>	<u>\$ 773,906</u>	<u>\$ 1,592,347</u>

HART for Animals, Inc.
Statement of Functional Expenses
For the Year Ended December 31, 2019

	Bred'd Center	Bed 'n Bark Inn	Muttworks	Pick of the Litter	Adoption & Rescue	HART Shoppe	Total Program Services	Management & General	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Salaries and wages	213,444	154,188	38,754	15,657	220,434	-	642,477	-	642,477
Administration services	-	-	-	-	-	-	-	125,828	125,828
Customer service	26,204	11,646	11,646	-	4,659	1,165	55,320	2,912	58,232
Facility services	11,036	4,414	4,414	-	11,036	-	37,522	6,622	44,144
Supplies	217,435	4,555	1,893	1,016	8,420	12,761	246,080	3,091	249,171
Depreciation expense- Specific	12,617	227	981	-	31,605	-	45,430	174	45,604
Depreciation expense- Divided	8,964	15,171	690	690	22,756	-	48,271	20,687	68,958
Interest expense	7,741	13,100	595	595	19,650	-	41,681	17,864	59,545
Payroll expenses	17,220	13,354	3,364	1,395	17,340	-	52,673	20,464	73,137
Utilities	5,777	9,777	444	444	14,665	-	31,107	13,332	44,439
Repairs & maintenance- Specific	-	4,701	388	-	804	-	5,893	-	5,893
Repairs & maintenance- Divided	6,566	11,112	505	505	16,668	-	35,356	15,153	50,509
Insurance	2,793	4,727	215	215	7,091	-	15,041	6,446	21,487
Event expenses	2,079	3,519	160	160	5,278	-	11,196	4,799	15,995
Laboratory fees	18,570	265	12	12	398	-	844	362	1,206
Service charges- specific	-	-	-	-	-	-	18,570	-	18,570
Service charges- divided	2,130	3,604	328	484	5,406	-	484	-	484
Workers compensation	1,107	1,873	85	85	2,809	-	11,468	4,915	16,383
Legal & professional	1,675	2,834	129	129	4,251	-	5,959	2,554	8,513
Program expense	-	-	-	-	2,862	-	9,018	3,864	12,882
Advertising- Specific	6,501	-	307	-	-	-	2,862	-	2,862
Advertising- Divided	1,090	1,845	84	-	2,768	-	6,808	-	6,808
Property taxes	916	1,551	70	70	2,326	-	5,871	2,516	8,387
Printing & copying lease expense	835	1,413	64	64	2,120	-	4,933	2,114	7,047
Postage & delivery	1,056	-	-	-	-	-	4,496	1,927	6,423
Contract veterinarians	166	281	13	13	421	-	1,056	-	1,056
Office expense	417	706	32	32	1,059	-	894	383	1,277
Miscellaneous	2,149	-	1,626	105	3,608	-	2,246	462	2,708
Travel	155	262	12	12	393	-	7,488	1,095	8,583
Uniforms	-	352	89	-	1,308	-	834	358	1,192
Licenses and permits	150	-	-	-	-	-	1,749	323	2,072
Staff development	4,119	152	199	-	427	-	150	-	150
Automobile expense	-	-	-	-	4,190	-	4,897	377	5,274
Membership and subscriptions	755	1,278	-	-	4,190	-	4,190	-	4,190
In Kind Expenses	12,740	-	-	58	1,917	-	4,066	-	5,157
Total	\$ 586,564	\$ 273,529	\$ 67,157	\$ 21,825	\$ 416,659	\$ 13,926	\$ 1,379,670	\$ 259,713	\$ 1,639,383

HART for Animals, Inc.
Statement of Cash Flows
For the year ended December 31, 2019

CASH FLOWS FROM OPERATING ACTIVITIES

Decrease in net assets	\$ (251,740)
Adjustments to reconcile increases in net assets to net cash provided by (used in) operating activities	
Depreciation expense	114,562
Loss on disposal of fixed assets	1,206
Increase in accounts payable	41,937
Increase in accrued payroll taxes	3,325
Increase in accrued wages	35,590
Increase in credit cards payable	22,464
Amortization of discount on pledges	(15,657)
Decrease in pledges receivable	58,067
Increase in prepaid expenses	(8,060)
Increase in line of credit	20,000
Decrease in accounts receivable	1,531
Decrease in accrued leave	(68)
Increase in employee advances	(474)
Increase in inventory	(4,608)
Decrease in sales tax payable	(19)
Decrease in deferred revenue	(7,000)
<i>Net cash provided by operating activities</i>	<u>11,054</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Noncash donations	(8,500)
Purchase of property, plant & equipment	<u>(60,545)</u>
<i>Net cash used in investing activities</i>	<u>(69,045)</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Payments on debt	(160,401)
Proceeds from new loan	<u>122,796</u>
<i>Net cash used in financing activities</i>	<u>(37,605)</u>

NET CHANGE IN CASH AND CASH EQUIVALENTS (95,596)

CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR 123,824

CASH AND CASH EQUIVALENTS, END OF YEAR \$ 28,228

SCHEDULE OF NONCASH INVESTING and FINANCING ACTIVITIES:

Notes payable incurred to purchase fixed assets \$ 21,209

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:

Interest paid \$ 59,545

HART for Animals, Inc.
Notes to Financial Statements
December 31, 2019

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 Organization's 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 Organization 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.

HART for Animals, Inc.
Notes to Financial Statements
December 31, 2019

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.

HART for Animals, Inc.
Notes to Financial Statements
December 31, 2019

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, 2019 net assets without donor restrictions totaled \$818,441 and net assets with donor restrictions totaled \$773,906.

HART for Animals, Inc.
Notes to Financial Statements
December 31, 2019

Note 2. Significant Accounting Policies- continued

Financial Statement Presentation- continued

Net assets with donor restrictions are restricted for adoption center veterinary care (\$609,391), HART help surgeries (\$154,360), and animals needing extreme care (\$10,155).

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, 2019.

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, 2019

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 is 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 \$3,626,512 at December 31, 2019 less accumulated depreciation of \$567,555.

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, 2016) 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.

HART for Animals, Inc.
Notes to Financial Statements
December 31, 2019

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, 2019. 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, 2019. 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.

HART for Animals, Inc.
Notes to Financial Statements
December 31, 2019

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, 2019 the liability for accrued leave was \$17,041.

Recent Accounting Standards Adopted

Contributions Received and Contributions Made

During 2019, HART adopted FASB's ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This ASU assist's organizations in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions. In addition, it clarifies whether a contribution is conditional. As a result, it enhances comparability of financial information among not-for-profit entities. HART adopted ASU 2018-08 using a modified prospective method effective January 1, 2019. Under the modified prospective method, this ASU only applies to agreements not completed or entered into (revenue or expense that has not yet been recognized) as of January 1, 2019. As a result, there was no cumulative-effect adjustment to opening net assets as of January 1, 2019. There were no material changes to the recognition of contribution revenue during 2019.

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, 2019, the carrying amount of deposits was \$28,228 and the bank balance was \$27,293.

HART for Animals, Inc.
Notes to Financial Statements
December 31, 2019

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	\$ 28,228
Accounts receivable	3,648
Pledges receivable, current portion	58,067
	\$ 89,943

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.

Note 6. Accounts Receivable

Accounts receivable at December 31, 2019 is comprised of the following:

Bredel Center Receivable	\$ 3,648
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Note 7. Pledges Receivable

Pledges receivable represent amounts due to HART for legally enforceable pledges. These pledges are due as follows at December 31, 2019.

Pledge receivable	\$ 667,455
Less: unamortized discount	(92,186)
Net pledges receivable	\$ 575,269
Amounts due in:	
Within one year	\$ 58,067
One to five years	290,335
Greater than five years	319,053
Total	\$ 667,455

HART for Animals, Inc.
Notes to Financial Statements
December 31, 2019

Note 7. Pledges Receivable- continued

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.

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.	\$ 1,430,727
United States Department of Agriculture loan dated December 31, 2014 due in monthly installments of \$289 through December 31, 2044 at 3.5% interest.	56,612
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.	37,831
Garrett County Commissioners loan. No formal written agreement between the two parties. Verbal agreement of 0% interest and due by the end of 2019.	34,500
Ally loan beginning May 2020 due in monthly installments of \$417 through December 2023 at 6.74% interest	17,828
American Express loan due in monthly installments	10,810
Idexx loan dated November 13, 2018 due in monthly installments of \$210 through October 31, 2021 at 6.24% interest.	4,543
Total	\$ 1,592,851

HART for Animals, Inc.
Notes to Financial Statements
December 31, 2019

Note 9. Long-Term Debt- continued

The annual requirements to amortize the above debt outstanding at December 31, 2019 are as follows:

2020	\$ 73,703
2021	72,115
2022	59,733
2023	56,070
2024	52,537
Thereafter	<u>1,278,693</u>
Total	<u>\$1,592,851</u>

Note 10. Related Parties

The Corporation is indebted to officers of HART for Animals, Inc. As of December 31, 2019, 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.	\$ 251,765
Yudelevit loan due in 2020	12,000
Yudelevit Discover loan due in 2020	<u>4,958</u>
Total	<u>\$ 268,723</u>

The annual requirements to amortize the above debt outstanding at December 31, 2019 are as follows:

2020	\$ 60,648
2021	45,244
2022	46,854
2023	48,520
2024	50,246
Thereafter	<u>17,211</u>
Total:	<u>\$ 268,723</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 balance of \$20,000 on the account at December 31, 2019.

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Note 12. **Contributed Services**

HART for Animals, Inc. received a significant contribution of time from an unpaid veterinarian assisting HART in the Bredel clinic. The value of this contributed time is reflected in the accompanying financial statements since the veterinarian possesses a specialized skill that would otherwise need to be purchased from an outside source. A total of 196 volunteer hours were donated in 2019 at an estimated pay rate of \$65.00 per hour, resulting in total contributed services of \$12,740.

Note 13. **Concentrations**

As of December 31, 2019, 100% of Pledges Receivable represent the amounts owed from one donor.

Note 14. **Evaluation of Subsequent Events**

HART has evaluated, for possible financial statement disclosure, subsequent events through August 21, 2020, the date which the financial statements were available to be issued, and has noted the following event:

The COVID-19 pandemic in the United States has caused business disruption and a reduction in economic activity. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration and the impact it will have on HART's operations and financial position. Any financial impact to HART cannot be reasonably estimated at this time.