

**HART for Animals, Inc.**

**Financial Report**

**December 31, 2020**

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

HART for Animals, Inc.  
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December 31, 2020

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David W. Turnbull, CPA  
Richard J. Hoover, CPA  
Bernard B. Kahl, CPA



13179 Garrett Highway, Suite E  
Oakland, Maryland 21550  
Phone: 301.334.2820  
Fax: 301.334.3634

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, 2020, 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, 2020, 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

September 17, 2021

HART for Animals, Inc.  
Statement of Financial Position  
December 31, 2020

**Assets**

**Current Assets**

Cash and cash equivalents	\$ 13,568
Investments, at fair value	22,155
Pledges receivable, current portion	58,067
Inventory, at cost	46,747
Accounts receivable	1,104
Prepaid expenses	9,032
<b>Total Current Assets</b>	<b>150,673</b>

**Other Assets**

Pledges receivable, net- long term portion	473,679
<b>Total Other Assets</b>	<b>473,679</b>

**Property, Plant, and Equipment**

Buildings	2,948,598
Land	325,784
Furniture and equipment	210,872
Improvements	81,489
Vehicles	36,507
Less: accumulated depreciation	(653,113)
<b>Net Property, Plant, and Equipment</b>	<b>2,950,137</b>

<b>Total Assets</b>	<b>\$ 3,574,489</b>
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**Liabilities and Net Assets**

**Current Liabilities**

Accounts payable	\$ 70,052
Accrued payroll	35,322
Credit cards payable	29,807
Line of credit	10,000
Accrued leave	21,310
Accrued payroll taxes	2,772
Loans payable, current portion	73,506
Due to officers, current portion	45,644
<b>Total Current Liabilities</b>	<b>288,413</b>

**Long Term Liabilities**

Loans payable, less current portion	1,546,895
Due to officers, less current portion	151,203
<b>Total Long Term Liabilities</b>	<b>1,698,098</b>

<b>Total Liabilities</b>	<b>1,986,511</b>
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**Net Assets**

Without donor restrictions	882,390
With donor restrictions	705,587
<b>Total Net Assets</b>	<b>1,587,977</b>

<b>Total Liabilities and Net Assets</b>	<b>\$ 3,574,489</b>
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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, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b><u>Support and Revenue</u></b>			
<b>Support:</b>			
Contributions	\$ 195,899	\$ 12,057	\$ 207,956
Direct public grants	2,093	31,360	33,453
Special events	30,495	-	30,495
Grants- paycheck protection program	176,300	-	176,300
Grants- COVID-19	20,000	-	20,000
Government grants	-	29,155	29,155
<b>Total Support</b>	<u>424,787</u>	<u>72,572</u>	<u>497,359</u>
<b>Revenue:</b>			
Bredel Center income	740,998	-	740,998
Bed 'n Bark Inn income	188,441	-	188,441
Mutworks income	42,447	-	42,447
Adoption and Rescue income	23,660	-	23,660
Pick of the Litter income	44,704	-	44,704
HART Shoppe income	9,192	-	9,192
In Kind income	12,307	-	12,307
Investment income	2,250	-	2,250
<b>Total Revenue</b>	<u>1,063,999</u>	<u>-</u>	<u>1,063,999</u>
<b>Net assets released from restrictions satisfaction of purpose restrictions</b>	<u>140,891</u>	<u>(140,891)</u>	<u>(0)</u>
<b>Total Support and Revenue (Increase in Net Assets With/Without Donor Restrictions)</b>	<u>1,629,677</u>	<u>(68,319)</u>	<u>1,561,358</u>
<b>Expenses</b>			
Program Service Expenses	1,314,080	-	1,314,080
Management & General Expenses	251,648	-	251,648
<b>Total Expenses (Decrease in Net Assets With/Without Donor Restrictions)</b>	<u>1,565,728</u>	<u>-</u>	<u>1,565,728</u>
<b>Change in Net Assets With/Without Donor Restrictions</b>	63,949	(68,319)	(4,370)
<b>Net Assets With/Without Donor Restrictions, Beginning of Year</b>	<u>818,441</u>	<u>773,906</u>	<u>1,592,347</u>
<b>Net Assets With/Without Donor Restrictions, End of Year</b>	<u>\$ 882,390</u>	<u>\$ 705,587</u>	<u>\$ 1,587,977</u>

**HART for Animals, Inc.**  
**Statement of Functional Expenses**  
**For the Year Ended December 31, 2020**

	Bredel Center	Bed 'n Bark Inn	Muttworks	Pick of the Litter	Adoption & Rescue	HART Shoppe	Total Program Services	Management & General	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Salaries and wages	239,756	124,260	34,683	13,286	157,875	-	569,860	-	569,860
Administration services	-	-	-	-	-	-	-	116,753	116,753
Customer service	25,289	11,239	11,239	-	4,496	1,124	53,387	2,810	56,197
Facility services	10,472	10,472	4,189	-	10,472	-	35,605	6,283	41,888
Supplies	237,888	953	688	1,402	4,526	6,539	251,996	2,731	254,727
Depreciation expense- Specific	11,695	3,478	3,416	159	32,123	-	51,771	-	51,771
Depreciation expense- Divided	8,261	13,980	635	635	20,970	-	44,481	19,064	63,545
Interest expense	10,030	16,974	772	772	25,462	-	54,010	23,147	77,157
Payroll expenses	18,626	10,919	2,569	1,285	12,846	-	46,245	17,984	64,229
Repairs & maintenance- Specific	3,322	436	1,085	545	2,593	-	7,981	-	7,981
Repairs & maintenance-Divided	5,555	9,400	427	427	14,101	-	29,910	12,819	42,729
Program expense	-	-	-	-	2,689	-	2,689	-	2,689
Utilities	4,873	8,247	375	375	12,370	-	26,240	11,243	37,483
Insurance	3,950	6,684	304	304	10,026	-	21,268	9,114	30,382
Laboratory fees	25,024	-	-	-	-	-	25,024	-	25,024
Service charges	2,329	3,941	179	179	5,911	-	12,539	5,374	17,913
Advertising	1,616	2,734	124	124	4,101	-	8,699	3,729	12,428
In Kind Expenses	12,307	-	-	-	-	-	12,307	-	12,307
Workers compensation	1,440	2,437	111	111	3,655	-	7,754	3,323	11,077
Legal & professional	1,404	2,376	108	108	3,564	-	7,560	3,240	10,800
Membership and subscriptions	1,237	2,094	95	95	3,141	-	6,662	2,855	9,517
Event expenses	1,217	2,060	94	94	3,090	-	6,555	2,809	9,364
Printing & copying lease expense	883	1,495	68	68	2,242	-	4,756	2,038	6,794
Property taxes	859	1,454	66	66	2,182	-	4,627	1,983	6,610
Office expense	586	992	45	45	1,488	-	3,156	1,352	4,508
Loss on disposal of assets	2,032	980	45	45	1,470	-	4,572	1,336	5,908
Contract veterinarians	4,342	-	-	-	-	-	4,342	-	4,342
Staff development	2,397	213	38	-	270	-	2,918	76	2,994
Licenses and permits	2,193	100	-	-	-	-	2,293	325	2,618
Miscellaneous	90	90	90	-	1,112	-	1,382	216	1,598
Automobile expense	-	-	-	-	1,441	-	1,441	-	1,441
Small furniture and equipment	-	-	-	-	1,230	-	1,230	-	1,230
Postage & delivery	135	228	10	10	343	-	726	311	1,037
Uniforms	-	64	30	-	-	-	94	335	429
Travel	-	-	-	-	-	-	-	397	397
<b>Total</b>	<b>\$ 639,808</b>	<b>\$ 239,200</b>	<b>\$ 61,485</b>	<b>\$ 20,135</b>	<b>\$ 345,789</b>	<b>\$ 7,663</b>	<b>\$ 1,314,080</b>	<b>\$ 251,647</b>	<b>\$ 1,565,727</b>

HART for Animals, Inc.  
Statement of Cash Flows  
For the year ended December 31, 2020

**CASH FLOWS FROM OPERATING ACTIVITIES**

Change in net assets	\$ (4,370)
Adjustments to reconcile increases in net assets to net cash provided by (used in) operating activities	
Depreciation expense	115,316
Loss on disposal of fixed assets	5,908
Unrealized (gain) loss on investments	(2,002)
Decrease in accounts payable	(29,256)
Decrease in accrued payroll taxes	(3,392)
Decrease in accrued wages	(32,640)
Decrease in credit cards payable	(23,859)
Amortization of discount on pledges	(14,543)
Decrease in pledges receivable	58,067
Increase in prepaid expenses	(354)
Decrease in line of credit	(10,000)
Decrease in accounts receivable	2,544
Increase in accrued leave	4,269
Decrease in employee advances	674
Increase in inventory	(12,375)
Decrease in sales tax payable	(266)
<i>Net cash provided by operating activities</i>	53,721

**CASH FLOWS FROM INVESTING ACTIVITIES**

Noncash donations	(2,694)
Purchase of investments	(17,711)
Proceeds from sale of investment property	4,300
Purchase of property, plant & equipment	(7,950)
<i>Net cash used in investing activities</i>	(24,055)

**CASH FLOWS FROM FINANCING ACTIVITIES**

Payments on debt	(144,226)
Proceeds from new loan	99,900
<i>Net cash used in financing activities</i>	(44,326)

**NET CHANGE IN CASH AND CASH EQUIVALENTS** (14,660)

**CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR** 28,228

**CASH AND CASH EQUIVALENTS, END OF YEAR** \$ 13,568

**SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:**

    Interest paid \$ 77,157

HART for Animals, Inc.  
Notes to Financial Statements  
December 31, 2020

**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, 2020

*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, 2020

**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, 2020 net assets without donor restrictions totaled \$882,391 and net assets with donor restrictions totaled \$705,587.

HART for Animals, Inc.  
Notes to Financial Statements  
December 31, 2020

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

**Financial Statement Presentation- continued**

Net assets with donor restrictions are restricted for adoption center veterinary care \$551,324, HART help surgeries \$137,605, and animals needing extreme care \$16,658.

**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, 2020.

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, 2020

**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 \$3,603,250 at December 31, 2020 less accumulated depreciation of \$653,113.

**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, 2017) 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, 2020

**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.

**Investments**

Investments are valued at fair value. Unrealized and realized gains and losses on sales of securities are recognized based on the cost of specific securities sold. Investments acquired through gifts or bequests are recorded at the market value at the date of the gift. All gains and losses arising from the sale or other disposition of investments and other non-cash assets are accounted for in the fund that owned the assets. Ordinary income from investments is also accounted for in the fund owning the assets. Changes in unrealized gains and losses are included in the determination of changes in net assets.

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

See Note 6 for additional details on valuation of investments.

**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.

HART for Animals, Inc.  
Notes to Financial Statements  
December 31, 2020

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

**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, 2020. 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, 2020. 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.

**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, 2020 the liability for accrued leave was \$21,310.

**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, 2020, the carrying amount of deposits was \$13,568 and the bank balance was \$14,730.

HART for Animals, Inc.  
Notes to Financial Statements  
December 31, 2020

**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.

The Organization does not expect any economic uncertainties resulting from the COVID-19 pandemic to have any significant impact on operating results.

**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	\$ 13,568
Accounts receivable	1,104
Pledges receivable, current portion	58,067
Investments	22,155
	\$ 94,894

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. Fair Value Measurements**

Fair values of assets measured on a recurring basis at December 31, 2020 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, 2020				
Equity Securities	\$ 3,616	\$ 3,616		
Mutual Funds	18,539	18,539		
Total	\$ 22,155	\$ 22,155	\$ -	\$ -

The framework for measuring fair value 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 are described as follows:

HART for Animals, Inc.  
Notes to Financial Statements  
December 31, 2020

**Note 6.**      **Fair Value Measurements- continued**

- Level 1 inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization 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
  - 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. The following provides 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, 2020

- Equity securities are valued at the closing price reported on the active market on which the individual securities are traded.
- Mutual funds are valued at the daily closing price as reported by the fund. Mutual funds held by HART are open-ended mutual funds that are registered with the U.S. Securities and Exchange Commission. These funds are required to publish their daily net asset value to transact at that price. The mutual funds held are deemed to be actively traded.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Foundation 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 7.**      **Accounts Receivable**

Accounts receivable at December 31, 2020 is comprised of the following:

Bredel Center Receivable	\$ 1,104
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**Note 8. Pledges Receivable**

Pledges receivable represent amounts due to HART for legally enforceable pledges. These pledges are due as follows at December 31, 2020.

Pledge receivable	\$ 609,389
Less: unamortized discount	<u>(77,643)</u>
Net pledges receivable	<u>\$ 531,746</u>
Amounts due in:	
Within one year	\$ 58,067
One to five years	290,335
Greater than five years	<u>260,987</u>
Total	<u>\$ 609,389</u>

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

	1-5 Years
2020	2.60%

**Note 9. 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 10. Paycheck Protection Program Loan**

The Organization applied for and was awarded a \$176,300 uncollateralized loan under the Paycheck Protection Program (PPP) created as a part of the relief efforts related to COVID-19 and administered by the Small Business Administration. The loan accrued interest at 1% but payments are not required to begin for six months after the funding of the loan. No payments were required if the Organization was actively seeking forgiveness. The Organization is eligible for full loan and interest forgiveness upon meeting certain requirements. The Organization met the requirements for full forgiveness in 2020, and the loan and interest were forgiven.

Since the Organization met both the eligibility criteria for the PPP loan and the criteria to obtain full loan forgiveness in 2020, the Organization accounted for the transactions as an in-substance government grant. The government proceeds were reported in the Support & Revenue section of the Statements of Activities and thus were also included in the

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**Note 10. Paycheck Protection Program Loan- (continued)**

Cash Flows from Operating Activities section of the Statements of Cash Flows where the forgiveness related expenses are included. Interest was not accrued or paid since any interest was fully forgiven along with the government proceeds.

**Note 11. 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.	\$ 1,391,129
United States Department of Agriculture loan dated December 31, 2014 due in monthly installments of \$289 through December 31, 2044 at 3.5% interest.	55,101
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.	34,128
Garrett County Commissioners loan. No formal written agreement between the two parties. Verbal agreement of 0% interest and due by the end of 2019.	24,000
Ally loan beginning May 2020 due in monthly installments of \$417 through December 2023 at 6.74% interest	13,901
Small Business Administration loan dated June 14, 2020 due in Monthly installments of \$428 through March 22, 2050 at 2.75%	99,900
Idexx loan dated November 13, 2018 due in monthly Installments of \$210 through October 31, 2021 at 6.24% interest.	2,242
Total	<u>\$ 1,620,401</u>

The annual requirements to amortize the above debt outstanding at December 31, 2020 are as follows:

2021	\$ 73,506
2022	62,177
2023	58,584
2024	55,120
2025	56,926
Thereafter	<u>1,314,088</u>
Total	<u>\$1,620,401</u>

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**Note 12. Related Parties**

The Corporation is indebted to officers of HART for Animals, Inc. As of December 31, 2020, 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. \$ 196,847

The annual requirements to amortize the above debt outstanding at December 31, 2020 are as follows:

2021	\$ 45,644
2022	47,267
2023	48,948
2024	54,988
Total:	<u>\$ 196,847</u>

**Note 13. 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 \$10,000 on the account at December 31, 2020.

**Note 14. 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 164.09 volunteer hours were donated in 2020 at an estimated pay rate of \$75.00 per hour, resulting in total contributed services of \$12,307.

**Note 15. Concentrations**

As of December 31, 2020, 100% of Pledges Receivable represent the amounts owed from one donor.

**Note 16. Evaluation of Subsequent Events**

HART has evaluated, for possible financial statement disclosure, subsequent events through September 17, 2021, the date which the financial statements were available to be issued, and has noted the following event: