Sutton Frost Cary LLP
Certified Public Accountants

July 31, 2017

Board of Directors
Heart House - Dallas

We have audited the financial statements of Heart House - Dallas (Organization) for the year ended December 31, 2016 and have issued our report thereon dated July 31, 2017. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter dated January 3, 2017. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Organization are described in Note 3 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed in 2016. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were management estimate of:

- The value of the donated use of facilities is based on rent of similar apartment units,
- the value of donated food is based on wholesale prices, and
- the allocation of costs of providing program and supporting services on a functional basis is based on the estimate of time and square feet.

We evaluated the key factors and assumptions used to develop the estimates in determining that they are reasonable in relation to the financial statements as a whole.
Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements is the conversion from the modified cash basis of accounting to U.S. generally accepted accounting principles, resulting in a restatement to net assets as of December 31, 2015 as further described in Note 2 to the financial statements.

The financial statement disclosures are neutral, consistent and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The following material misstatements detected as a result of audit procedures have been corrected by management:

- To record donated meals, resulting in an increase in revenue and expense of $48,700.

- To write off uncollectible pledges, resulting in a decrease in pledges receivable and decrease in net assets of $25,880.

- To record additional donated rent received during the year, resulting in an increase in revenue and expense of $50,000.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreement arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated July 31, 2017.

Management Consultations with Other Independent Accountants

In some cases, management decides to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to our retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the board of directors and management of the Organization and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Sutton Frost Cary

A limited Lability Partnership

Heart House - Dallas

Financial Statements
December 31, 2016

Heart House - Dallas
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Sutton Frost Cary LLP
Certified Public Accountants

Independent Auditors' Report

Board of Directors of
Heart House - Dallas

We have audited the accompanying financial statements of Heart House - Dallas which comprise the statement of financial position as of December 31, 2016, 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 U.S. generally accepted accounting principles; 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 error or fraud.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements.

An audit includes performing procedures to obtain audit evidence about amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of 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 Heart House - Dallas as of December 31, 2016, and the changes in net assets and cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of Matter

As discussed in Note 2 to the financial statements, the Organization converted from the modified cash basis of accounting to the accrual basis of accounting in accordance with U.S. generally accepted accounting principles during the current year. Accordingly, the amount reported for unrestricted net assets at January 1, 2016 has been restated in the December 31, 2016 financial statements. Our opinion is not modified with respect to that matter.

Sutton Frost Cary

A Limited Liability Partnership

Arlington, Texas
July 31, 2017

Heart House - Dallas
Statement of Financial Position
December 31, 2016

Assets

Cash	$	47,105

Liabilities and Net Assets

Accounts payable	$	1,744
Unrestricted net assets		45,361
Total liabilities and net assets	$	47,105

See notes to financial statements.

Heart House - Dallas
Statement of Activities
Year Ended December 31, 2016

Unrestricted net assets:		
Support and revenue:		
Contributions	$	322,271
Contributed facilities		127,580
Contributed meals		48,700
Special events, net of direct costs of $12,077		54,163
Total support and revenue		552,714
Expenses:		
Program		460,390
Administrative		55,413
Fundraising		23,542
Total expenses		539,345
Change in net assets		13,369
Net assets, at beginning of year, as restated		31,992
Net assets, at end of year	$	45,361

See notes to financial statements.

Heart House - Dallas
Statement of Functional Expenses
Year Ended December 31, 2016

	Program	Administrative	Fundraising	Total
Salaries and wages	$ 203,276	$ 29,725	$ 16,635	$ 249,636
Payroll taxes	21,083	3,083	1,725	25,891
Donated meals	48,700	-	-	48,700
Food	1,880	-	-	1,880
Supplies	18,611	1,223	139	19,973
Field trips	11,006	-	-	11,006
Donated use of facilities	120,020	6,804	756	127,580
Professional fees	2,687	8,387	3,195	14,269
Insurance	7,500	1,187	-	8,687
Equipment lease	4,000	1,159	-	5,159
Utilities	15,159	859	96	16,114
Marketing and promotions	1,752	219	219	2,190
Staff development	2,847	703	547	4,097
Other	1,869	2,064	230	4,163
Total	$ 460,390	$ 55,413	$ 23,542	$ 539,345

See notes to financial statements.

Heart House - Dallas
Statement of Cash Flows
Year Ended December 31, 2016

Cash flows from operating activities:		
Change in net assets	$	13,369
Change in operating assets and liabilities:		
Accounts payable		(3,793)
Net cash provided by operating activities		9,576
Cash at beginning of year		37,529
Cash at end of year	$	47,105

See notes to financial statements.

1. Organization

Heart House - Dallas (Organization) is a nonprofit organization incorporated in the state of Texas that provides safety, education, and opportunity to refugee and underprivileged children. The Organization supports students academically and socially, helping to raise the next generation of multilingual leaders. Daily, the Organization serves 120 children speaking over 15 different languages and dialects from multiple backgrounds and ethnicities. The Organization provides these services through the Head, Heart, Hands (H^3) program, a holistic endeavor that strengthens the students' cognitive (head), emotional (heart) and behavioral (hands) development so that they can grow into strong leaders in the United States and abroad.

The Organization is primarily supported by contributions and grants from foundations, civic and religious organizations, corporations and individuals.

2. Prior Year Restatement

The Organization's net assets as of December 31, 2015 were restated to convert from the modified cash basis of accounting to U.S. generally accepted accounting principles (GAAP). This conversion resulted in a decrease of $5,536 in unrestricted net assets as of December 31, 2015.

3. Summary of Significant Accounting Policies

The accounting policies of the Organization conform to GAAP. The more significant accounting policies of the Organization are described below.

Basis of Accounting

The Organization prepares the financial statements on the accrual basis of accounting.

Financial Statement Presentation

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

> *Unrestricted net assets* - Net assets not subject to donor imposed stipulations.
>
> *Temporarily restricted net assets* - Net assets subject to donor imposed stipulations that will be met by actions of the Organization and/or the passage of time. The Organization had no temporarily restricted net assets at December 31, 2016.
>
> *Permanently restricted net assets* - Net assets subject to donor imposed stipulations that will never lapse, thus requiring the funds to be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on related investments for general or specific purposes. The Organization had no permanently restricted net assets at December 31, 2016.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets. The Organization chooses to show restricted contributions whose restrictions are met in the same reporting period as unrestricted contributions.

Financial Instruments and Credit Risk Concentrations

Financial instruments which are potentially subject to concentrations of credit risk consist of cash. Cash is placed with a high credit quality financial institution to minimize risk. Accounts at the institution are insured by the Federal Deposit Insurance Corporation up to $250,000. As of December 31, 2016, the Organization has no uninsured amounts.

Fixed Assets

Fixed assets with useful lives that exceed one year are recorded at cost or fair value, if donated. Routine maintenance and repair costs are expensed as incurred. Depreciation is calculated using the straight line method over estimated useful lives of the assets ranging from five to seven years. At December 31, 2016, all fixed assets are fully depreciated. Major classes of fixed assets are:

Furniture and equipment	$ 58,145
Playground improvements	43,043
	101,188
Accumulated depreciation	(101,188)
	$ -

Income Taxes

The Organization is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code (IRC) and has not been classified as a private foundation as defined in the IRC. Income generated from activities unrelated to the Organization's exempt purposes is subject to tax under IRC Section 511. The Organization had no unrelated business income for the year ended December 31, 2016. Accordingly, no provision has been made for federal income tax in the accompanying financial statements.

GAAP requires the evaluation of tax positions taken in the course of preparing the Organization's tax return and recognition of a tax liability (or asset) if the Organization has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. Management has analyzed the tax positions taken by the Organization, and has concluded that as of December 31, 2016, there are no uncertain tax positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements.

Revenue Recognition

Donations, grants and similar gifts are generally recorded only upon receipt unless evidence of an unconditional promise to give (pledge) has been received. Donated goods and materials, and use of facilities are reflected as contributions at their estimated fair values at date of receipt.

Contributions of services are recorded at estimated fair value if the services received create or enhance nonfinancial assets or require specialized skills and would typically need to be purchased if not provided by donation.

A number of volunteers contribute significant time to the Organization. Because the value of these hours do not meet the requirements for recognition, the estimated value of such hours is not reflected in the accompanying financial statements. For the year ended December 31, 2016, management estimates the total of such hours donated to be approximately 6,800.

Functional Expense Allocation

The costs of providing the various program services and supporting activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the various functions.

Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities and the reported amounts of revenue and expenses. Actual results could differ from these estimates.

4. In-Kind Contributions

Donated Facilities

The owners of the apartment complexes in which the Organization operates donate space, utilities and building maintenance. The estimated fair value of the donated space is reflected in the accompanying financial statements as contributions and donated use of facilities in the amount of $127,580 for the year ended December 31, 2016.

Donated Food

The Organization receives donated food throughout the year. The estimated fair value of these donations is reflected in the accompanying financial statements as contributions and donated meals totaling $48,700 for the year ended December 31, 2016.

5. Leases

The Organization has an operating lease for office equipment expiring in February 2019. The following is a schedule of future minimum lease payments due under the lease agreement for the years ending December 31:

2017	$	4,698
2018		4,698
2019		782

Lease expense related to office equipment totaled $5,159 for the year ended December 31, 2016.

6. Subsequent Events

The Organization evaluated subsequent events through July 31, 2017, which was the date the financial statements were available to be issued, and concluded that no additional disclosures are required.