

Heart House - Dallas
Audited Financial Statements
December 31, 2014

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Heart House - Dallas

Report on the Financial Statements

We have audited the accompanying financial statements of Heart House - Dallas which comprise the Statement of Assets, Liabilities, and Net Assets-Modified Cash Basis as of December 31, 2014, and the related Statement of Support, Revenue, and Expenses-Modified Cash Basis and the related notes to the financial statements for the year then ended.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting as described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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 auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 auditors' 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 auditors consider 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

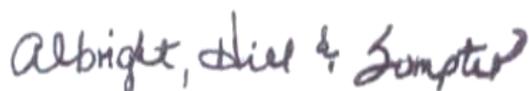
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Heart House - Dallas, as of December 31, 2014, and the results of its support, revenue, and expenses for the year then ended in accordance with the modified cash basis of accounting as described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Functional Expenses-Modified Cash Basis is presented for the purpose of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



Albright, Hill & Sumpter, PC
Certified Public Accountants

July 28, 2015

Heart House - Dallas
Statement of Assets, Liabilities and Net Assets - Modified Cash Basis
December 31, 2014

Assets

Cash and cash equivalents	\$ 44,079
Fixed assets (net of accumulated depreciation of \$100,974)	<u>214</u>
Total assets	<u><u>\$ 44,293</u></u>

Liabilities and Net Assets

Unrestricted net assets	\$ 31,837
Temporarily restricted net assets	<u>12,456</u>
Total net assets	<u><u>44,293</u></u>
Total liabilities and net assets	<u><u>\$ 44,293</u></u>

The accompanying notes are an integral part of this statement.

Heart House - Dallas
Statement of Support, Revenue, and Expenses - Modified Cash Basis
For the year ended December 31, 2014

	Unrestricted	Temporarily Restricted	Total
Support, contributions and income			
Contributions	\$ 88,524	\$ -	\$ 88,524
Contributed facilities	77,580	-	77,580
Contributed meals	37,136	-	37,136
Grants	125,000	-	125,000
Special events (net of \$30,506 direct expense)	33,862	-	33,862
Total support, contributions and income	<u>362,102</u>	<u>-</u>	<u>362,102</u>
Net assets released from restrictions	1,673	(1,673)	-
	<u>363,775</u>	<u>(1,673)</u>	<u>362,102</u>
Expenses			
Program expense	299,964	-	299,964
Supporting expenses:			
Administrative expense	55,540	-	55,540
Fund raising expense	10,692	-	10,692
Total expenses	<u>366,196</u>	<u>-</u>	<u>366,196</u>
Change in net assets	(2,421)	(1,673)	(4,094)
Net assets - January 1, 2014	34,258	14,129	48,387
Net assets - December 31, 2014	<u>\$ 31,837</u>	<u>\$ 12,456</u>	<u>\$ 44,293</u>

The accompanying notes are an integral part of this statement.

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December 31, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

In fulfilling its responsibility for the preparation of Heart House – Dallas' (the Organization) financial statements and disclosures, management selects accounting principles from the modified cash basis of accounting and adopts methods for their application. This basis of accounting requires the estimating, matching and timing of revenue and costs in the determination of support and expenditures. It is also necessary for management to determine, measure and allocate resources and obligations within the financial process according to this basis of accounting. Below is a summary of certain significant accounting policies selected by management.

Background and Basis of Accounting

Heart House – Dallas is a free after school program currently operating at two apartment complexes in Dallas, Texas. The Organization's purpose is to provide a safe haven and academic support to children of low-income families and encourage them to become good citizens.

The Organization maintains five sites, four of which currently administer after school programs. The Wildflower Apartments' location houses the main administrative office and three apartments for program activities at various grade levels. The Stratford Hills Apartments' clubhouse houses program activities for all grade levels served.

The Internal Revenue Service has determined that the Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and is not a private foundation as defined in the code.

Staffing of Heart House - Dallas is largely through volunteers who do substantial amounts of the work while supervised by paid staff. All volunteers are subject to criminal background checks.

Basis of Accounting

This reporting follows the modified cash basis of accounting which reports transactions on a cash basis with the exception of depreciation of capital assets, and in-kind donations and related expenses.

In 2012, the Board, at the suggestion of management, decided to begin maintaining the accounts of the Organization on the modified cash basis. The Statement of Support, Revenue, and Expenses – Modified Cash Basis is a statement of the various financial activities and changes in net assets during the current reporting period. It

Heart House – Dallas
Notes to Financial Statements
December 31, 2014

does not purport to represent the results of operations, nor of net income or loss for the period, since the primary objective of the Organization is not to achieve a “profit.”

Fixed Assets

Assets with useful lives that exceed one year are recorded at acquisition cost or fair value, if donated. Routine maintenance and repair costs are expensed as incurred. Depreciation is recorded over the estimated useful lives on a straight-line method. Major classes of fixed assets are:

	Cost	Accumulated Depreciation
Furniture and equipment	\$ 58,145	\$ (57,931)
Playground improvements	43,043	(43,043)
Total	\$ 101,188	\$ (100,974)

Estimated useful lives range from five to seven (5-7) years. Depreciation expense of \$6,407 was recorded during the year ended December 31, 2014.

Net Asset Accounting

As a non-profit organization, Heart House - Dallas maintains its records on a net asset accounting basis in order to ensure observance of the limitations and restrictions placed on the use of its resources.

This is the procedure by which net assets are classified for accounting and reporting purposes into self-balancing accounts as follows:

Unrestricted net assets are those funds available for the annual support of the Organization’s programs.

Temporarily restricted net assets are those funds restricted by the donor(s) to be expended only for a specific purpose.

Permanently restricted net assets are subject to donor-imposed restrictions that require them to be maintained in perpetuity and only the income be used by the Organization.

Support and Revenue

All contributions, including long-lived assets, are considered to be available for unrestricted use unless specifically restricted by the donor.

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Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction is satisfied by incurring expenses for the restricted purpose, expiration of time or occurrence of other events specified by the donor, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Donated Food

The Organization received meals as contributions during 2014. These contributions and corresponding expenses totaled \$37,136.

Functional Expense Allocation

Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services on the basis of periodic time and expense studies by management. Supporting services include administrative and fund raising expenses.

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 revenue and expenses. Actual results could differ from these estimates. Major estimates involved lives used to depreciate fixed assets.

Assets Measured at Fair Value

Pursuant to FASB ASC 820, as issued by the Financial Accounting Standards Board, certain assets are reported at estimated "fair value." As of December 31, 2014, fair value measurements were as follows:

Description	Quoted Price in Active Market (Level 1)	Significant Other Observable Inputs (Level 2)
Cash and cash equivalents	\$ 44,079	\$ -

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NOTE 2 - CREDIT RISK

In the normal course of business, the Organization maintains balances in financial institutions in excess of federally insured amounts. As of December 31, 2014, all funds were federally insured.

NOTE 3 - IN-KIND FACILITIES

The owners of the apartment complexes, in which the Organization operates, donate space, utilities and building maintenance. Income and corresponding expense of \$77,580 is reflected on the financial statements for these contributions.

NOTE 4 - TEMPORARILY RESTRICTED NET ASSETS

As of December 31, 2014, net assets were restricted for the following purposes:

Educational programming and materials	<u>\$ 12,456</u>
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During 2014, net assets were released from restrictions for the following purposes:

Educational programming and materials	<u>\$ 1,673</u>
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NOTE 5 - SUBSEQUENT EVENTS

Management has reviewed events occurring subsequent to December 31, 2014 through the issue date of the financial statements, July 28, 2015. Based on this review, no events have occurred requiring disclosure.

NOTE 6 - DISCLOSURES ABOUT UNCERTAINTY IN INCOME TAXES UNDER ASC 740-10-25-9

Heart House - Dallas files an annual information return. With few exceptions, the Organization is no longer subject to U.S. federal income tax examinations by tax authorities for years before 2011. The Organization has adopted the provisions of FASB ASC 740, *Accounting for Uncertainty in Income Taxes*. There were no unrecognized tax benefits as of December 31, 2014.

The Organization recognizes interest accrued related to unrecognized tax benefits in interest expense and penalties in administrative expense. There were no such interest and penalties for 2014.

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NOTE 7 - SPECIAL EVENTS

For the year ended December 31, 2014, special events consisted of a luncheon and "Grape Escape". The following summarizes the totals of the events:

	Event Income	Direct Expenses	Net from Event
Total	<u>\$ 64,368</u>	<u>\$ 30,506</u>	<u>\$ 33,862</u>

Heart House - Dallas
Schedule of Functional Expenses - Modified Cash Basis
For the year ended December 31, 2014

	Program Expense	Administrative Expense	Fund Raising Expense	Total
Personnel costs				
Salaries and wages	\$ 140,171	\$ 24,876	\$ 6,097	\$ 171,144
Payroll taxes and benefits	9,979	4,505	4,430	18,914
Total personnel costs	<u>150,150</u>	<u>29,381</u>	<u>10,527</u>	<u>190,058</u>
Bank charges	-	879	-	879
Depreciation	5,766	641	-	6,407
Security	815	766	-	1,581
Fund raising expense	-	-	165	165
Insurance	10,152	1,128	-	11,280
Occupancy	69,822	7,758	-	77,580
Office supplies and printing	928	103	-	1,031
Other expenses	1,765	196	-	1,961
Postage and delivery	566	63	-	629
Program expense	47,005	-	-	47,005
Professional fees	-	12,876	-	12,876
Rentals and repairs	4,801	533	-	5,334
Staff development	576	369	-	945
Telephone	7,430	826	-	8,256
Transportation	188	21	-	209
Total	<u><u>\$ 299,964</u></u>	<u><u>\$ 55,540</u></u>	<u><u>\$ 10,692</u></u>	<u><u>\$ 366,196</u></u>

The accompanying notes are an integral part of this statement.