



Heart House – Dallas

**Financial Statements
December 31, 2017 and 2016**

Heart House - Dallas

Contents

Independent Auditors' Report	1
Financial Statements:	
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	5
Statements of Cash Flows	7
Notes to Financial Statements	8



Independent Auditors' Report

Board of Directors of
Heart House - Dallas

We have audited the accompanying financial statements of Heart House - Dallas which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities, functional expenses and cash flows for the years 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 audits. We conducted our audits in accordance with U.S. generally accepted auditing standards. 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 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, 2017 and 2016, and the changes in net assets and cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Sutton Frost Cary
A Limited Liability Partnership

Arlington, Texas
April 24, 2018

Heart House - Dallas
Statements of Financial Position
December 31, 2017 and 2016

	2017	2016
Assets		
Cash	\$ 78,168	\$ 47,105
Liabilities and Net Assets		
Liabilities:		
Accounts payable	\$ -	\$ 1,744
Line of credit	12,500	-
Total current liabilities	12,500	1,744
Net assets - unrestricted	65,668	45,361
Total liabilities and net assets	\$ 78,168	\$ 47,105

See notes to financial statements.

Heart House - Dallas
Statements of Activities
Years Ended December 31, 2017 and 2016

	2017	2016
Unrestricted net assets:		
Support and revenue:		
Contributions	\$ 395,766	\$ 322,271
Contributed facilities	129,090	127,580
Contributed meals	68,357	48,700
Special events, net of direct costs of \$11,969 and \$12,077, respectively	46,907	54,163
Total support and revenue	640,120	552,714
Expenses:		
Program	548,197	460,390
Administrative	38,474	55,413
Fundraising	33,142	23,542
Total expenses	619,813	539,345
Change in net assets	20,307	13,369
Net assets at beginning of year	45,361	31,992
Net assets at end of year	\$ 65,668	\$ 45,361

See notes to financial statements.

Heart House - Dallas
Statement of Functional Expenses
Year Ended December 31, 2017

	Program	Administrative	Fundraising	Total
Salaries and wages	\$ 264,756	\$ 24,918	\$ 21,803	\$ 311,477
Payroll taxes	17,844	1,679	1,469	20,992
Donated meals	68,357	-	-	68,357
Food	37,695	-	-	37,695
Supplies	3,005	-	-	3,005
Donated use of facilities	116,181	6,454	6,455	129,090
Professional fees	2,633	5,329	3,415	11,377
Insurance	4,618	-	-	4,618
Equipment lease	6,860	-	-	6,860
Utilities	13,291	-	-	13,291
Marketing and promotions	8,796	-	-	8,796
Staff development	3,483	-	-	3,483
Special events	-	-	11,969	11,969
Other	678	94	-	772
Total expenses	548,197	38,474	45,111	631,782
Less expenses included with revenues on the statement of activities				
Direct costs of special events	-	-	(11,969)	(11,969)
Total expenses included in the expense section on the statement of activities	\$ 548,197	\$ 38,474	\$ 33,142	\$ 619,813

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
Special events	-	-	12,077	12,077
Other	1,869	2,064	230	4,163
Total expenses	460,390	55,413	35,619	551,422
Less expenses included with revenues on the statement of activities				
Direct costs of special events	-	-	(12,077)	(12,077)
Total expenses included in the expense section on the statement of activities	<u>\$ 460,390</u>	<u>\$ 55,413</u>	<u>\$ 23,542</u>	<u>\$ 539,345</u>

See notes to financial statements.

Heart House - Dallas
Statements of Cash Flows
Years Ended December 31, 2017 and 2016

	2017	2016
Cash flows from operating activities:		
Change in net assets	\$ 20,307	\$ 13,369
Change in operating assets and liabilities:		
Accounts payable	(1,744)	(3,793)
Net cash provided by operating activities	18,563	9,576
Cash flows from financing activities:		
Proceeds from line of credit	20,000	-
Payments on line of credit	(7,500)	-
Net cash provided by financing activities	12,500	-
Increase in cash	31,063	9,576
Cash at beginning of year	47,105	37,529
Cash at end of year	\$ 78,168	\$ 47,105
Supplemental cash flow information:		
Interest paid	\$ 736	\$ -

See notes to financial statements.

Heart House - Dallas

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 (H³) 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. Summary of Significant Accounting Policies

The accounting policies of the Organization conform to U.S. generally accepted accounting policies (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, 2017 and 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, 2017 and 2016.

Heart House - Dallas

Notes to Financial Statements

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. 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, 2017 and 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, 2017 and 2016, all fixed assets are fully depreciated. Major classes of fixed assets are:

Furniture and equipment	\$ 58,145
Playground improvements	<u>43,043</u>
	101,188
Accumulated depreciation	<u>(101,188)</u>
	<u><u>\$ -</u></u>

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 years ended December 31, 2017 and 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

Heart House - Dallas

Notes to Financial Statements

concluded that as of December 31, 2017 and 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

Contributions, 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 years ended December 31, 2017 and 2016, management estimates the total of such hours donated to be approximately 7,200 and 5,640, respectively.

Functional Expense Allocation

The costs of providing the various program services and supporting activities have been summarized on a functional basis in the statements 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.

3. 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 \$129,090 and \$127,580 for the years ended December 31, 2017 and 2016, respectively.

Heart House - Dallas

Notes to Financial Statements

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 \$68,357 and \$48,700 for the years ended December 31, 2017 and 2016, respectively.

4. Line of Credit

The Organization has a \$20,000 unsecured line of credit with Frost Bank, with a maturity date of April 24, 2018. Interest accrues at the *Wall Street Journal* Prime Rate (4.50% at December 31, 2017) plus 1.75%. The outstanding balance on the line of credit at December 31, 2017 was \$12,500.

5. Concentrations

For the year ended December 31, 2017, contributions received from two donors totaled approximately 23% of total revenue. No such concentration existed for the year ended December 31, 2016.

6. 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:

2018	\$	4,823
2019		804

Lease expense related to office equipment totaled \$6,860 and \$5,159 for the years ended December 31, 2017 and 2016, respectively.

7. Subsequent Events

The Organization evaluated subsequent events through April 24, 2018, which was the date the financial statements were available to be issued, and concluded that no additional disclosures are required.