

**Heart House - Dallas**

**Financial Statements - Modified Cash Basis  
December 31, 2015**

# Heart House - Dallas

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## **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 assets and net assets - modified cash basis as of December 31, 2015, and the related statement of revenue, expenses and changes in net assets - modified cash basis, the statement of functional expenses - modified cash basis 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 the modified cash basis of accounting as described in Note 2; 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 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 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 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 assets and net assets - modified cash basis of Heart House - Dallas as of December 31, 2015, and its revenue and expenses for the year then ended in accordance with the modified cash basis of accounting as described in Note 2.

***Basis of Accounting***

We draw attention to Note 2 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 U.S. generally accepted accounting principles. Our opinion is not modified with respect to that matter.

*Sutton Frost Cary*

A Limited Liability Partnership

March 21, 2016  
Arlington, Texas

**Heart House - Dallas**  
**Statement of Assets and Net Assets - Modified Cash Basis**  
**December 31, 2015**

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**Assets**

Cash	<u>\$ 37,528</u>
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**Net Assets**

Unrestricted net assets	<u>\$ 37,528</u>
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See accompanying notes to financial statements.

**Heart House - Dallas**  
**Statement of Revenue, Expenses and Changes in Net Assets**  
**Modified Cash Basis**  
**Year Ended December 31, 2015**

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	Unrestricted	Temporarily Restricted	Total
Support and revenue:			
Contributions	\$ 129,786	\$ -	\$ 129,786
Contributed facilities	84,045	-	84,045
Contributed meals	47,132	-	47,132
Grants	76,467	-	76,467
Special events, net of \$10,781 direct costs	37,670	-	37,670
Other	2,888		2,888
Net assets released from restrictions	12,456	(12,456)	-
<b>Total support and revenue</b>	<u>390,444</u>	<u>(12,456)</u>	<u>377,988</u>
Expenses:			
Program	349,342	-	349,342
Administrative	22,007	-	22,007
Fundraising	13,404	-	13,404
<b>Total expenses</b>	<u>384,753</u>	<u>-</u>	<u>384,753</u>
Change in net assets	5,691	(12,456)	(6,765)
Net assets, beginning of year	31,837	12,456	44,293
Net assets, end of year	<u>\$ 37,528</u>	<u>\$ -</u>	<u>\$ 37,528</u>

See accompanying notes to financial statements.

**Heart House - Dallas**  
**Statement of Functional Expenses - Modified Cash Basis**  
**Year Ended December 31, 2015**

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	Program	Administrative	Fundraising	Total
Salaries and wages	\$ 160,082	\$ 10,456	\$ 10,000	\$ 180,538
Payroll taxes	20,528	1,870	-	22,398
Contract labor	1,800	-	-	1,800
Food	47,921	-	-	47,921
Educational supplies	4,553	-	-	4,553
Field trips	2,361	-	-	2,361
Donated use of facilities	84,045	-	-	84,045
Professional fees	3,000	2,892	2,247	8,139
Insurance	5,620	1,405	-	7,025
Equipment lease	4,000	315	-	4,315
Utilities	8,628	4,347	-	12,975
Marketing and promotions	2,503	-	-	2,503
Staff development	709	-	-	709
Depreciation	-	215	-	215
Other	3,592	507	1,157	5,256
Total	<u>\$ 349,342</u>	<u>\$ 22,007</u>	<u>\$ 13,404</u>	<u>\$ 384,753</u>

See accompanying notes to financial statements.

# Heart House - Dallas

## Notes to Financial Statements-Modified Cash Basis

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### 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<sup>3</sup>) 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.

### 2. Summary of Significant Accounting Policies

In fulfilling its responsibility for the Organization's financial statements and disclosures, management selected a comprehensive basis of accounting other than U.S. generally accepted accounting principles (GAAP) and adopted methods for their application. The following is a summary of significant accounting policies selected by management.

#### ***Basis of Accounting***

The Organization prepares its financial statements on the modified cash basis of accounting which reports transactions on a cash basis with the exception of depreciation of fixed assets and in-kind contributions and related expenses. Accordingly, the accompanying financial statements are not intended to present, and do not present, the financial position and results of operations of the Organization in accordance with GAAP.

#### ***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.

*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, 2015.



# Heart House - Dallas

## Notes to Financial Statements-Modified Cash Basis

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### ***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.

### ***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, 2015, 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(a) of the Internal Revenue Code (IRC) as an organization described in IRC section 501(c)(3). Accordingly, no provision for income taxes has been made in the accompanying financial statements. However, should the Organization engage in activities unrelated to the purpose for which it was created, taxable income could result. The Organization has not incurred any federal income tax for the year ended December 31, 2015.

### ***Revenue Recognition***

Cash donations, grants and similar gifts are recorded upon receipt. 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, 2015, management estimates the total of such hours donated to approximately 6,000.

# Heart House - Dallas

## Notes to Financial Statements-Modified Cash Basis

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### ***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.

### ***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.

## **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 \$84,045 for the year ended December 31, 2015.

### ***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 in-kind food totaling \$47,132 for the year ended December 31, 2015.

## **4. 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:

2016	\$	4,698
2017		4,698
2018		4,698
2019		782

Lease expense related to office equipment totaled \$4,315 for the year ended December 31, 2015.

**Heart House - Dallas**  
**Notes to Financial Statements-Modified Cash Basis**

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**5. Subsequent Events**

The Organization evaluated subsequent events through March 21, 2016, which was the date the financial statements were available to be issued, and concluded that no additional disclosures are required.