

Hearts for Homes

826 East McKinney Street, Denton, Texas 76209

Financial Statements

December 31, 2017

John W. Jones, CPA

529 Birch Lane, Richardson, Texas 75081-5625

972-231-5245 / 214-695-1190

Hearts for Homes
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John W. Jones

Certified Public Accountant

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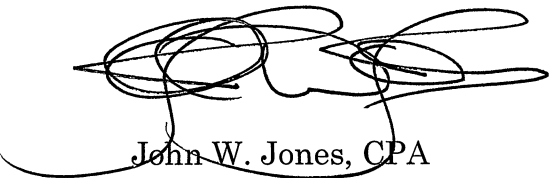
Independent Auditor's Report

*To the Board of Directors of
Hearts for Homes
826 E. McKinney Street
Denton, Texas 76209-4308*

I have audited the accompanying Statement of Financial Position of Hearts for Homes as of December 31, 2017 and the related Statement of Activities and Changes in Net Assets, Statement of Functional Expenses, along with the Statement of Cash Flows for the year then ended. These financial statements are the responsibility of Company's management. My responsibility is to express an opinion on these financial statements based on our audit.

I conducted the audit in accordance with auditing standards generally accepted in the United State of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that the audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hearts for Homes as of December 31, 2017, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.



John W. Jones, CPA
Richardson, Texas
October 7, 2018

**Hearts for Homes
Statement of Financial Position
December 31, 2017**

Current Assets:	
Cash	\$253,276
Material Inventory	15,358
Prepaid Expenses	<u>2,063</u>
Total Current Assets	270,697
Fixed Assets:	
Equipment, Furniture & Fixtures	97,690
Less Accumulated Depreciation	<u>(62,962)</u>
Net Equipment, Furniture & Fixtures	34,728
Other Assets:	
Office Security Deposit	6,000
Gift Credit Card Balance	<u>-</u>
Total Other Assets	6,000
Total Assets	<u><u>\$311,425</u></u>
Current Liabilities:	
Accounts Payable	\$2,043
Payroll Tax Payable	2,701
Payroll Accrual	<u>1,745</u>
Total Current Liabilities	6,489
Net Assets:	
Unrestricted	287,066
Restricted	<u>20,000</u>
Total Net Assets	307,066
Total Liabilities & Net Assets	<u><u>\$313,555</u></u>

The accompanying notes are an integral part of this statement.

Hearts for Homes
Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2017

Change in Unrestricted Net Assets:	
Revenue and Support:	
Church Contributions	\$64,393
Company Contributions	15,325
Individual Contributions	136,387
Grants	17,000
Gifts In Kind	9,435
Fundraising Income (Net of Costs)	25,140
Interest Income	6
Total Unrestricted Support	267,686
Program Services and Expenses:	
Program Services	161,719
Management and General	20,940
Fundraising	21,103
Total Program Services and Expenses	203,762
Increase (Decrease) in Unrestricted Net Assets	63,924
Change in Restricted Net Assets	
Proceeds Reclassified as Restricted Assets	-
Increase (Decrease) in Temporarily Restricted Net Assets	-
Change in Net Assets	63,924
Net Unrestricted Assets, Beginning of Year	223,142
Net Unrestricted Assets, End of Year	\$287,066

The accompanying notes are an integral part of this statement.

Hearts for Homes
Statement of Functional Expenses
For the Year Ended December 31, 2017

	Program Services	Management and General	Fundraising	Total
Advertising			\$2,289	\$2,289
Auto Costs	3,938	984	-	4,922
Depreciation	5,670	3,583	-	9,253
Donations	698		-	698
Dues & Sub	744		-	744
Insurance	10,151	1,079	-	11,230
Payroll	31,863	6,427	18,814	57,104
Professional Fees		3,139	-	3,139
Program Costs	60,405	-	-	60,405
Rent	27,442	3,392	-	30,834
Repairs	3,886		-	3,886
Supplies	5,667	630	-	6,297
Telephone	3,291	823	-	4,114
Travel, M&E	324	323	-	647
Utilities	4,528	560	-	5,088
Volunteer Costs	3,112	-	-	3,112
Totals	<u>\$161,719</u>	<u>\$20,940</u>	<u>\$21,103</u>	<u>\$203,762</u>

The accompanying notes are an integral part of this statement.

Hearts for Homes
Statement of Cash Flows
For the Year Ended December 31, 2017

Cash Flows from Operating Activities:	\$63,924
Increase in Net Assets:	
Adjustments to Reconcile Increases in Net Assets to Net Cash Provided by Operating Activities:	
Depreciation	9,253
Decrease in Material Inventory	3,458
Decrease in Receivables	-
Decrease in Prepaid Expenses	102
Decrease in Other Assets	3,719
Decrease in Payroll Taxes	(2,174)
Increase in Accrued Payroll	1,745
Decrease in Accounts Payable	1,845
Total Adjustments	17,948
Net Cash Provided by Operating Activities	81,872
Cash Flows from Investing Activities:	
Purchase of Fixed Assets	(9,309)
Disposition of Fixed Assets	-
Net Cash Used In Investing Activities	(9,309)
Cash Flows From Financing Activities:	
None	-
Net Cash Used in Financing Activities	-
Net Increase in Cash	72,563
Cash, Beginning of Year	182,842
Cash, End of Year	\$255,405

The accompanying notes are an integral part of this statement.

Hearts for Homes
Notes to Financial Statements
December 31, 2017

Note 1 – Mission Statement:

The mission of Hearts for Homes (H4H) is to improve the living conditions of low-income senior homeowners in Denton County, Texas.

Note 2 – Vision Statement:

Hearts for Homes is a Non-Profit Christian outreach providing hope and dignity through home rehab, affording low-income seniors a safe, comfortable, and well-functioning home.

Note 3 – Purpose Statements:

To work together with other organizations and individuals to identify homeowners who are in need of assistance, (2) to seek and develop funding/donation resources, (3) to provide home repairs, rehabilitation, and/or construction to individuals/families through donated/volunteered/purchased services, (4) to provide oversight and accountability for funds raised, funds distributed, and results achieved, (5) to serve as a central resource for the recruitment, training, and deployment of volunteers, (6) to serve others as our Lord and Savior, Jesus, serves us.

Note 4 – Guidelines for Assistance:

To receive assistance, homeowners must meet the following guidelines: (1) 60 years of age or older, (2) resident of Denton County, (3) own their own home, (4) repairs must fall in “need” rather than “want” category, (5) proof of income must be provided, (6) household income is no more than 130% of federal poverty guidelines. Awareness of needy homeowners is supplied by various county social services and health support organizations.

Note 5 – Ministry Achievements:

Schedule 1 – Ministry achievements lists the home repair services provided needy homeowners in the Denton County area. 73 homeowners received assistance in 2017. The projects included necessary repairs to plumbing, roofing, electrical, flooring, HVAC, appliance replacement, just to name a few. Needy / low income seniors can qualify for assistance in needed repairs that will provide a safe living environment. H4H’s program activities are largely accomplished through volunteer workers. In the financial statements the value of this work is not recorded. Statement 1 denotes the impact Hearts for Homes volunteers have made on the Denton County community and in the lives of the seniors they serve since inception in 2006.

Hearts for Homes
Notes to Financial Statements
December 31, 2017

Note 6 – Summary of Significant Accounting Policies:

Basis of Accounting: The financial statements of H4H have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Basis of Presentation: Financial statements presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, H4H is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Revenue Recognition: Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Donations that are restricted by the donor are 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 expires (this being, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Promises to Give: Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Property and Equipment: Property and equipment are recorded at cost or at their estimated fair market value if donated. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, H4H reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. H4H reclassifies temporarily restricted net assets to unrestricted net assets at that time. Property and equipment are depreciated over three, five, seven, or ten years using the straight-line method.

Hearts for Homes
Notes to Financial Statements
December 31, 2017

Donated Services: H4H recognizes donated services that create or enhance nonfinancial assets or that require specialized skills. Services provided by individuals possessing these skills would typically need to be purchased if not provided by donation.

Expense Allocation: The costs of providing program and other activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated between the program and the supporting services benefited.

Use of Estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Income Taxes: H4H is a not-for-profit corporation that is exempt from income taxes under Section 501 (c) (3) of the Internal Revenue Code. It is not classified as a private foundation.

Statement of Cash Flows: H4H uses the indirect method of reporting cash flows. The organization considers all certificates of deposit and other instruments with original maturities of twelve months or less to be cash equivalents.

Note 7 – Inventory Valuation:

The inventory consists primarily of home construction materials and supplies purchased or donated by businesses and individuals from the Denton County area. The materials are stored in a 3,470 SF warehouse adjacent to H4H's office at 826 E. McKinney in Denton. The donations are in short case lots and for financial reporting the retail value is discounted. The estimated retail value of the inventory is \$61,430, and for financial reporting discounted to 25% of retail or \$15,358.

Note 8 – Property and Equipment:

Property and equipment consists of assets utilized by H4H in its operations. At December 31, 2017 it consisted of the following:

Property / Equipment Class	Values
Computers	\$17,058
Construction Equipment	\$27,238
Furniture & Fixtures	\$5,760
Vehicles / Trailers	\$26,825
Tools	\$2,302
Leasehold Improvements	<u>\$18,507</u>
Total	\$97,690

Hearts for Homes
Notes to Financial Statements
December 31, 2017

Depreciation is computed on a straight-line basis over the useful life of the assets. Depreciation expense was \$9,253 for calendar year 2017. During Calendar 2017 \$8,759 of equipment was acquired, of which none were donated items.

Note 9 – Donated Goods & Services:

Total in-kind home construction material and services received during calendar year 2017 was \$7,812. A substantial number of volunteers have donated significant amounts of time to the organization's program services for which no amounts have been reflected in the financial statements. H4H relies on many area businesses and skilled professionals to complete many of the most expensive and necessary repairs for the seniors such as roof replacement, HVAC system repairs, along with plumbing and electrical repairs. The costs for such repairs would be prohibitive for H4H to afford if not for generous ongoing support.

Note 10 – Large Grants – Donations:

In calendar 2017 H4H received \$233,105 in cash contributions and grants. This amount included \$163,781 in grants and contributions greater than \$5,000. The donor groups and amounts are as follows:

Donor	Contribution \$s
Churches & Non-Profits	\$64,393
Corporation	15,325
Individual	136,387
Grants	<u>17,000</u>
Total	\$233,105

The grants and contributions have enabled H4H to fulfill its mission, but also to hire staff, develop a strategic plan and data management system. The overall goal is to build capacity and improve the sustainability of the organization. The impact of these funds have far-reaching positive effects for the seniors touched by the generosity of H4H's contributors.

Hearts for Homes
Notes to Financial Statements
December 31, 2017

Note 11 – Fundraising Events:

During calendar year 2017 H4H held 2 fundraising events—a golf tournament and dinner. The golf tournament occurred in October, the dinner in June. The results of the events were:

	Golf Tournament	Heartbeat Dinner	Fundraising Total
Gross Proceeds	\$12,052	\$22,784	\$34,836
Direct Costs	10,769	14,606	25,375
Net Proceeds	\$1,283	\$8,178	\$9,461
Plus Cost Gifts	<u>2,584</u>	<u>10,965</u>	<u>13,549</u>
Net Event Profit	\$3,867	\$19,143	\$23,010

Note 12 – Concentration of Risk:

H4H maintains its operating cash in bank deposit accounts that have not exceeded federally insured limits. H4H has not experienced any losses in such accounts and believes it is not exposed to any significant risk of loss of cash.

Note 13 – Building Lease:

H4H conducts its Denton operations from a facility that is under a non-cancelable operating lease. The leased space is approximately 3,900 SF. The lease term was from June 1, 2014 to May 31, 2017 at a base rent of \$2,000 per month. The lease has been extended until May 31, 2020 with the same terms and conditions. A security deposit of \$2,000 plus rent prepayment of \$4,000 was required at the inception of the lease. The lease also requires monthly \$500 expense reimbursement payments for real estate taxes, insurance, and common area maintenance. The overall rental costs was \$30,000 in 2017.

Note 14 – Restricted Donation:

During 2017 restricted contributions - grants of \$55,500 were received. All of the restricted were fulfilled in 2017 on these contributions - grants. A 2015 \$20,000 restricted grant still remained unfulfilled. The 2017 received restricted grants are detailed in Statement 2.

**Hearts for Homes
Ministry Achievements**

Schedule 1

Year	Families Assisted	Work Days	Volunteer Hours
2006	14	28	1,107
2007	23	88	3,609
2008	19	67	5,967
2009	22	116	5,109
2010	19	135	5,823
2011	24	112	4,894
2012	24	133	6,307
2013	29	172	6,314
2014	28	195	9,284
2015	32	188	6,306
2016	66	356	6,413
2017	73	291	4,456
Totals	<u>373</u>	<u>1,881</u>	<u>65,589</u>

**Hearts for Homes
2017 Restricted Equity
Schedule 2**

Donor	12-31-2016 Restricted Equity Bal	Restricted Donation Additions	Restricted Donation Fulfillment	12-31-2017 Restricted Equity Bal
Denton Co. Housing Fin Corp	\$20,000			\$20,000
Dallas Women's Foundation		30,000	30,000	-
Denton Benefit League		8,000	8,000	-
The Henry Foundation		17,000	17,000	-
Totals	\$20,000	\$55,000	\$55,000	\$20,000