

HEARTS FOR HOMES

Denton, Texas

Financial Statements

For the Years Ended December 31, 2014 and 2013

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Wade R. Moran, CPA
Certified Public Accountant

ACCOUNTANT'S COMPILATION REPORT

To the Board of Directors
HEARTS FOR HOMES
Denton, Texas

I have compiled the accompanying statements of financial position of HEARTS FOR HOMES (a nonprofit organization) as of December 31, 2014 and 2013 and the related statements of activities and cash flows for the years then ended. I have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or provide any assurance about whether the financial statements are in accordance with accounting principles generally accepted in the United States of America.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

My responsibility is to conduct the compilation in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information in the form of financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements.

I am not independent with respect to HEARTS FOR HOMES as of and for the years ended December 31, 2014 or 2013, because I was a board member of HEARTS FOR HOMES in both years.

Wade R. Moran, CPA

Wade R. Moran, CPA
Dallas, Texas
March 6, 2015

6060 N. Central Expressway, Suite 500, Dallas, Texas 75206

HEARTS FOR HOMES
Statements of Financial Position
December 31, 2014 and 2013

	2014	2013
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 27,364	\$ 24,218
Accounts Receivable	1,110	0
Inventory	51,135	97,660
Prepaid Expense	11,250	7,500
Total Current Assets	90,859	129,378
Property and Equipment		
Furniture, Fixtures and Equipment	54,013	45,852
Vehicles	11,784	9,700
Leasehold Improvements	14,574	0
Less: Accumulated Depreciation	(43,311)	(34,311)
Net Property and Equipment	37,060	21,241
Other Assets		
Deposits	2,000	0
Vehicles Held for Resale	3,500	3,500
Total Other Assets	5,500	3,500
TOTAL ASSETS	\$ 133,419	\$ 154,119
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts Payable and Accrued Expenses	\$ 2,759	\$ 3,849
Total Liabilities (All Current)	2,759	3,849
Net Assets		
Unrestricted	130,660	150,270
Total Net Assets	130,660	150,270
TOTAL LIABILITIES AND NET ASSETS	\$ 133,419	\$ 154,119

The accompanying notes are an integral part of these financial statements.

HEARTS FOR HOMES
Statements of Activities
For the Years Ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
CHANGE IN UNRESTRICTED NET ASSETS		
UNRESTRICTED REVENUE AND PUBLIC SUPPORT		
Contributions	\$ 45,166	\$ 37,135
Grants	17,500	17,750
In-Kind Contributions (Note 3)	46,473	60,555
Other Income	2,431	6
Special Events (Net)	<u>43,057</u>	<u>18,819</u>
Total Unrestricted Revenue and Public Support	<u>154,627</u>	<u>134,265</u>
 EXPENSES		
Program Services		
Project Expenses	149,207	126,934
Support Services		
Fundraising	6,046	3,231
General and Administrative	<u>18,984</u>	<u>12,923</u>
Total Expenses	<u>174,237</u>	<u>143,088</u>
 INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	 <u>(19,610)</u>	 <u>(8,823)</u>
 NET ASSETS AT BEGINNING OF YEAR	 <u>150,270</u>	 <u>159,093</u>
 NET ASSETS AT END OF YEAR	 <u>\$ 130,660</u>	 <u>\$ 150,270</u>

The accompanying notes are an integral part of these financial statements.

HEARTS FOR HOMES
Statements of Cash Flows
For the Years Ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (19,610)	\$ (8,823)
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	9,000	9,655
In-Kind Donations of Fixed Assets	(5,950)	0
(Increase) Decrease in Accounts Receivable	(1,110)	0
(Increase) Decrease in Inventory	46,525	999
(Increase) Decrease in Prepaid Expenses	(3,750)	(7,500)
(Increase) Decrease in Deposits	(2,000)	0
Increase (Decrease) in Accounts Payable	(1,090)	(80)
Net Cash Provided (Used) by Operating Activities	<u>22,015</u>	<u>(5,749)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Furniture, Fixtures and Equipment	<u>(18,869)</u>	<u>(2,003)</u>
Net Cash (Used) by Investing Activities	<u>(18,869)</u>	<u>(2,003)</u>
 CASH FLOWS FROM FINANCING ACTIVITIES		
None	<u>0</u>	<u>0</u>
Net Cash Provided (Used) by Financing Activities	0	0
 NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	 3,146	 (7,752)
 CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	 <u>24,218</u>	 <u>31,970</u>
 CASH AND CASH EQUIVALENTS AT END OF YEAR	 \$ <u><u>27,364</u></u>	 \$ <u><u>24,218</u></u>
 SUPPLEMENTARY DISCLOSURE OF CASH FLOW INFORMATION		
In-Kind Contributions	\$ 46,473	\$ 60,555

The accompanying notes are an integral part of these financial statements.

HEARTS FOR HOMES
Notes to the Financial Statements
December 31, 2014 and 2013

Note 1 - Description of Organization

HEARTS FOR HOMES (the "Organization") is a non-profit charitable community and faith-based ministry established to provide assistance to the aging population in the areas of housing repair and rehabilitation as well as meeting everyday needs, with its administrative office located in Denton, Texas. The Organization's primary sources of revenue are free-will donations from supporters and the general public. The Organization was incorporated under the laws of the State of Texas.

Note 2 - Summary of Significant Accounting Policies

Basis of Accounting - The accompanying financial statements are presented in accordance with accounting principles generally accepted in the United States of America. Accordingly, revenues are recognized when earned and expenses are recorded when incurred on the accrual basis of accounting.

Programs - The Organization pursues its objectives through the execution of these major programs:

Program Services

Projects – This program provides housing repair and rehabilitation to the aging population.

Supporting Services

Fundraising - This program supports the general operations of the Organization.

General and administrative - This program supports the general operations of the Organization.

Net Asset Accounting - The accounts of the Organization are maintained in accordance with the principles of net asset accounting. Under net asset accounting, resources are classified into categories of unrestricted, temporarily restricted, or permanently restricted net assets, according to funding source restrictions as to timing and purpose of resources. The categories are described as follows: *Unrestricted net assets* are those funds not restricted by donor-imposed stipulations. *Unrestricted net assets* include certain funds that the Board of Directors has determined are to be retained for a particular purpose. *Temporarily restricted net assets* are those funds restricted by the donor(s) to be expended only for a specific purpose or within a certain time. *Permanently restricted net assets* are subject to donor-imposed restrictions that must be maintained in perpetuity. Only the income generated from such assets may be used by the Organization. There were no temporarily restricted net assets or permanently restricted net assets at December 31, 2014 or December 31, 2013.

Restricted Contributions - The Organization reports gifts of cash and other assets as restricted support if they are received with donor restrictions that limit their use. Restricted gifts of cash and other assets whose restrictions are met in the same reporting period are reported as unrestricted support. When a donor restriction expires, that is, 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 unrestricted revenues.

Donated Assets and Services - Donated property is recorded at fair market value on the date of receipt in the appropriate investment, expense or equipment account. In the absence of donor restrictions, donated assets are reported as unrestricted revenue. Contributed services are recognized as unrestricted revenues if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by contribution.

Estimates - Management utilizes estimates in order to record certain transactions in accordance with accounting principles generally accepted in the United States of America.

HEARTS FOR HOMES
Notes to the Financial Statements
December 31, 2014 and 2013

Note 2 - Summary of Significant Accounting Policies (continued)

Uncertain Tax Positions - Organization is a not-for-profit organization that is exempt from federal income taxes under Section 501(c) (3) of the Internal Revenue Code as other than a private foundation. The Organization believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements. The Organization's federal Returns of Organization Exempt from Income Tax Returns are subject to examination by the IRS, generally for three years after they were filed.

Functional Allocation of Expenses - Management summarizes program service and supporting service expenses on a functional basis in the statement of activities. Accordingly, certain expenses have been allocated to program services and supporting services.

Cash Equivalents - The Organization defines cash and cash equivalents to be all highly liquid investments with an original maturity of three months or less.

Inventory - The Organization maintains inventory of donated materials used for housing repairs and housing rehabilitation. These donated materials are recorded at fair market value at the date of receipt.

Property and Equipment - Property and equipment are recorded at acquisition cost. The Organization capitalizes assets with a cost greater than \$500. Betterments and renewals are capitalized. Maintenance and repairs are charged to operations when incurred. Depreciation is computed on a straight-line basis over 5 years.

Fair Value Measurements and Disclosures - Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820 *Fair Value Measurements and Disclosures* established a framework for measuring fair value. That framework provides for a fair value hierarchy which prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements), and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described below:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 - Inputs to the valuation methodologies include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 - Inputs to the valuation methodology which are unobservable but significant to the fair value measurements.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value, or reflective of future fair values. Furthermore, while the Organization believes that its valuation methods are appropriate, consistent with other market techniques, and the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The Organization has no financial instruments with Level 1, 2, or 3 inputs that require disclosure.

HEARTS FOR HOMES
Notes to the Financial Statements
December 31, 2014 and 2013

Note 2 - Summary of Significant Accounting Policies (continued)

Impairment of Long-Lived Assets - Management evaluates its long-lived assets for financial impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. An impairment loss is recognized when the undiscounted future cash flows from the assets are less than the carrying value of the assets. Assets to be disposed of are reported at the lower of their carrying amount or fair value, less cost to sell. Management is of the opinion that the carrying amount of its long-lived assets does not exceed their estimated recoverable amount.

Subsequent Events – Management reviewed Type 1 subsequent events (events that reveal conditions existing at or before the balance sheet date and require adjustment to the financial statements) and Type 2 subsequent events (events that reveal conditions arising after the balance sheet date and require disclosure in, but not adjustment to, the financial statements). No subsequent events were noted. Subsequent events were evaluated through March 6, 2015, which is the date of the report.

Recent Accounting Pronouncements – The accounting principles governing the reported amounts, presentations, and disclosures in our financial statements are subject to change from time to time based on the issuance of new pronouncements of various standard-setting bodies. New pronouncements not yet in effect as of December 31, 2014, will not have a material effect on our financial statements of financial position, activities, and cash flows.

Note 3 – In-Kind Contributions

The following is a summary of the uses of in-kind contributions:

	<u>2014</u>	<u>2013</u>
Inventory	\$ 575	\$ 1,413
Special Events	9,315	0
Fixed Assets	5,950	0
Gifts	380	0
Accounting Fees	4,800	4,800
Facilities Rent	15,000	36,000
Facilities Maintenance	7,585	0
Project Expenses	<u>2,868</u>	<u>18,342</u>
Total In-Kind Contributions	<u>\$ 46,473</u>	<u>\$ 60,555</u>

Note 4 – Volunteer Contributed Services

The Organization is dependent on volunteer contributed services for the effective administration of the organization's programs. The Organization estimates the volunteer hours during the year ending December 31, 2014 and 2013 to be approximately 6,000 for each year. Volunteer services are not recorded in these financial statements since they do not meet the criteria set forth in Note 2 under Donated Assets and Services.