

***Hearts for Homes***

*826 East McKinney Street, Denton, Texas 76209*

***Financial Statements***

***December 31, 2015***

***John W. Jones, CPA***

***529 Birch Lane, Richardson, Texas 75081-5625***

***972-231-5245 / 214-695-1190***

*Hearts for Homes*  
*Table of Contents*

	<u>Page No.</u>
Independent Auditor's Report	1
Statement of Financial Position	2
Statement of Activities and Changes in Net Assets	3
Statement of Functional Expenses	4
Statement of Cash Flows	5
Notes to Financial Statements:	
Note 1      Mission Statement	6
Note 2      Vision Statement	6
Note 3      Purpose Statements	6
Note 4      Guidelines for Assistance	6
Note 5      Ministry Achievements	6
Note 6      Summary of Significant Accounting Policies	6 - 8
Note 7      Inventory Valuation	8
Note 8      Property & Equipment	8 - 9
Note 9      Donated Goods & Services	9
Note 10     Large Grants - Donations	9
Note 11     Fundraising Events	10
Note 12     Concentration of Risk	10
Note 13     Building Lease	10
 Schedule 1 - Ministry Achievements	 11

# *John W. Jones*

*Certified Public Accountant*

*529 Birch Lane  
Richardson, Texas 75081-5625  
972-231-5245 / 214-695-1190*

## **Independent Auditor's Report**

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

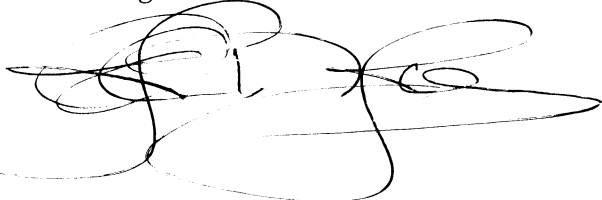
I have audited the accompanying Statement of Financial Position of Hearts for Homes as of December 31, 2015 and the related Statement of Activities and Changes in Net Assets, Statement of Functional Expenses, along with the Statement of Cash Flows for the year then ended. These financial statements are the responsibility of Company's management. My responsibility is to express an opinion on these financial statements based on our audit.

Except as discussed in the following paragraph, 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 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.

Because I was not engaged as auditor until after December 31, 2014, I was not present to observe the physical inventory taken at that date and I was not able to apply other auditing procedures to satisfy myself as to the inventory quantities. Accordingly, the scope of my work was not sufficient to express, and I do not express, an opinion on the accompanying Statement of Activities and Changes in Net Assets, Statement of Functional Expenses, and the Statement of Cash Flows for the year ended December 31, 2015.

In my opinion, the Statement of Financial Position referred to above presents fairly, in all material respects, the financial position of Hearts for Homes as of December 31, 2015 in conformity with accounting principles generally accepted in the United States of America.

August 3, 2016



**Hearts for Homes  
Statement of Financial Position  
December 31, 2015**

Current Assets:	
Cash	71,958
Material Inventory	23,658
Prepaid Expenses	<u>6,274</u>
Total Current Assets	101,890
Fixed Assets:	
Equipment, Furniture & Fixtures	83,954
Less Accumulated Depreciation	<u>(42,681)</u>
Net Equipment, Furniture & Fixtures	41,273
Other Assets:	
Office Security Deposit	<u>2,000</u>
Total Other Assets	2,000
 Total Assets	 <u><u>145,163</u></u>
Current Liabilities:	
Accounts Payable	516
Payroll & Payroll Tax Accrual	<u>-</u>
Total Current Liabilities	516
Net Assets:	
Unrestricted	124,647
Restricted	<u>20,000</u>
Total Net Assets	144,647
 Total Liabilities & Net Assets	 <u><u>145,163</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, 2015**

Change in Unrestricted Net Assets:	
Revenue and Support:	
Company Contributions	26,286
Individual Contributions	26,838
Church / Non-Profit Contributions	21,494
Grants - Temporary Restricted	54,281
Gifts In Kind	31,674
Interest Income	9
Fundraising Income (Net of Costs)	27,918
Total unrestricted Support	188,500
Program Services and Expenses:	
Program Services	131,223
Management and General	27,525
Fundraising	15,766
Total Program Services and Expenses	174,514
Increase (Decrease) in Unrestricted Net Assets	13,986
Change in Restricted Net Assets	
Proceeds Reclassified as Restricted Assets	20,000
Increase (Decrease) in Temporarily Restricted Net Assets	20,000
Change in Net Assets	(6,014)
Net Unrestricted Assets, Beginning of Year	130,661
Net Unrestricted Assets, End of Year	124,647

**Hearts for Homes**  
**Statement of Functional Expenses**  
**For the Year Ended December 31, 2015**

	Program Services	Management and General	Fundraising	Total
Advertising	-	-	2,776	2,776
Bank Fees	-	131	-	131
Computer Costs	-	1,058	-	1,058
Depreciation	7,269	4,418	-	11,687
Donations	-	-	1,175	1,175
Dues/Subscriptions	-	1,465	975	2,440
Insurance	6,525	907	-	7,432
Moving Costs	667	83	-	750
Payroll	10,000	5,000	-	15,000
Professional Fees	4,000	6,950	7,678	18,628
Project Costs	62,115	-	-	62,115
Rent	25,365	3,135	-	28,500
Repairs	2,965	175	964	4,104
Supplies	5,541	1,108	1,108	7,757
Taxes - PR	765	383	-	1,148
Telephone	1,091	1,091	1,090	3,272
Tools	287	-	-	287
Travel, M&E	-	1,276	-	1,276
Utilities	2,789	345	-	3,134
Volunteer Costs	1,844	-	-	1,844
Totals	131,223	27,525	15,766	174,514

**Hearts for Homes**  
**Statement of Cash Flows**  
**For the Year Ended December 31, 2015**

Cash Flows from Operating Activities:	13,986
Increase in Net Assets:	
Adjustments to Reconcile Increases in Net Assets to Net Cash Provided by Operating Actdivities:	
Depreciation	11,687
Decrease in Material Inventory	27,044
Decrease in Receivables	1,110
Decrease in Prepaid Expenses	5,409
Increase in Deposits	-
Decrease in Accounts Payable	(2,243)
Total Adjustments	43,007
Net Cash Provided by Operating Activities	56,993
 Cash Flows from Investing Activities:	
Purchase of Fixed Assets	(13,138)
Disposition of Fixed Assets	738
Net Cash Used In Investing Activities	(12,400)
 Cash Flows From Financing Activities:	
None	-
Net Cash Used in Financing Activities	-
Net Increase in Cash	44,593
Cash, Beginning of Year	27,365
Cash, End of Year	71,958

The accompanying notes are an integral part of this statement.

**Hearts for Homes**  
**Notes to Financial Statements**  
**December 31, 2015**

**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. 32 homeowners received assistance in 2015. 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, 2015

**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 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 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, 2015

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 \$67,600, and for financial reporting discounted to 35% or \$23,658.

**Note 8 – Property and Equipment:**

Property and equipment consists of assets utilized by H4H in its operations. At December 31, 2015 it consisted of the following:

Property / Equipment Class	Values
Computers	\$16,058
Construction Equipment	\$14,502
Furniture & Fixtures	\$5,760
Vehicles / Trailers	\$26,825
Tools	\$2,302
Leasehold Improvements	<u>\$18,507</u>
Total	\$83,954

Hearts for Homes  
Notes to Financial Statements  
December 31, 2015

Depreciation is computed on a straight-line basis over the useful life of the assets. Depreciation expense was \$11,687 for calendar year 2015. During Calendar 2015 \$13,138 of equipment was acquired, of which \$6,000 were donated items and \$4,191 was acquired with restricted funds.

**Note 9 – Donated Goods & Services:**

Total in-kind home construction material and services received during calendar year 2015 was \$31,674. A substantial number of volunteers have donated significant amounts of time in 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 2015 H4H received \$100,619 in grants and contributions of \$5,000 or more. The donors and amounts are as follows:

Donor	Contribution \$s
Churches	\$5,000
Corporation	\$23,000
Individual	\$5,225
Non-Profit Foundation	\$6,778
Non-Profit	<u>\$60,616</u>
Total	\$100,619

A \$20,000 Non-Profit grant was restricted to repair/replacement of the Cross home. No costs were incurred in 2015 and the grant remains restricted.

Denton Benefit League contributed \$4,281 in restricted funds towards equipment used in the warehouse. The equipment was purchased in February 2015.

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, 2015

**Note 11 – Fundraising Events:**

During calendar 2015 H4H held 3 fundraising events—a golf tournament, dinner and county wide contribution day. The golf tournament occurred in November, the dinner in June, and the contribution day in September. The results of the events were:

	Golf Tournament	Heartbeat Dinner	North TX Giving Day	Fundraising Total
Gross Proceeds	\$17,955	\$12,605	\$11,451	\$42,011
Direct Costs	4,707	34	0	4,741
Gifts In Kind Costs	0	5,375	0	5,375
Indirect Costs	<u>1,326</u>	<u>1,326</u>	<u>1,325</u>	<u>3,977</u>
Net Proceeds	11,922	5,870	10,126	27,918

**Note 12 – Concentration of Risk:**

H4H maintains its operating cash in bank deposits 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 also requires expense reimbursement of real estate taxes, insurance, and common area maintenance. H4H has paid \$4,500 on these costs in 2015. The lease required a \$2,000 security deposit plus \$4,000 in rent prepayments. Overall Rental costs amounted to \$28,500 in 2015.

**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
Totals	<u>234</u>	<u>1,234</u>	<u>54,720</u>