



HEART TO HONDURAS, INC.

**CONSOLIDATED
FINANCIAL STATEMENTS**

With Independent Auditor's Report

December 31, 2018 and 2017

HEART TO HONDURAS, INC.

**CONSOLIDATED FINANCIAL
STATEMENTS**

December 31, 2018 and 2017



HEART TO HONDURAS, INC.

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INDEPENDENT AUDITOR'S REPORT

**Board of Directors
Heart To Honduras, Inc.
Xenia, Ohio**

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

We have audited the accompanying consolidated financial statements of Heart To Honduras, Inc. and its subsidiary, which consist of the consolidated statement of financial position as of December 31, 2018, the related consolidated statements of activities, functional expenses and cash flows for the year then ended and the related notes to the consolidated financial statements.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Heart To Honduras, Inc. and its subsidiary as of December 31, 2018 and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

OTHER MATTER


The consolidated financial statements as of and for the year ended December 31, 2017 were reviewed by us and our report thereon, dated December 24, 2018, stated we were not aware of any material modifications that should be made to those consolidated statements for them to be in accordance with accounting principles generally accepted in the United States of America. However, a review is substantially less in scope than an audit and does not provide a basis for the expression of an opinion on the consolidated financial statements as a whole.

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SUPPLEMENTARY DATA

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary data provided on pages 15-19 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information as of and for the year ended December 31, 2018 has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Our review of the consolidated financial statements as of and for the year ended December 31, 2017 was made for the purpose of expressing a conclusion that there are no material modifications that should be made to the consolidated financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America. The information has been subjected to the inquiry and analytical procedures applied in the review of the consolidated financial statements, and we are not aware of any material modifications that should be made thereto.



Wyoming, Michigan
October 28, 2019

HEART TO HONDURAS, INC.

Consolidated Statements of Financial Position

	December 31,	
	2018	2017 (Reviewed)
ASSETS		
Cash and cash equivalents	\$ 178,530	\$ 174,365
Contribution receivable	2,500	5,750
Prepaid expenses	10,638	6,728
Employee receivables	509	25
Inventory	394	373
Property held for sale	18,236	18,236
Property and equipment, net	1,771,858	1,738,590
Total Assets	<u>\$ 1,982,665</u>	<u>\$ 1,944,067</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 1,205	\$ 2,682
Accrued payroll and taxes	13,162	1,410
Deferred revenue	23,576	1,407
Line of credit	33,500	-
Accrued severance pay	41,309	42,431
Total Liabilities	<u>112,752</u>	<u>47,930</u>
Net Assets		
Without donor restrictions		
Undesignated	(83,897)	(23,101)
Net investment in property and equipment	1,771,858	1,738,590
	<u>1,687,961</u>	<u>1,715,489</u>
With donor restrictions	<u>181,952</u>	<u>180,648</u>
Total Net Assets	<u>1,869,913</u>	<u>1,896,137</u>
Total Liabilities and Net Assets	<u>\$ 1,982,665</u>	<u>\$ 1,944,067</u>

See accompanying notes and independent auditor's report

HEART TO HONDURAS, INC.

Consolidated Statements of Activities

For the Years Ended December 31,

	2018		2017 (Reviewed)			
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
	SUPPORT AND REVENUE					
Contributions	\$ 308,352	\$ 607,436	\$ 915,788	\$ 387,256	\$ 728,321	\$ 1,115,577
Gifts-in-kind	44,895	-	44,895	70,018	-	70,018
Investment income	2,151	-	2,151	1,597	-	1,597
Merchandise sales, net of cost of goods sold of \$1,035 and \$1,064 respectively	881	-	881	906	-	906
Camp revenue	112,596	-	112,596	117,691	-	117,691
Other revenue	15,900	-	15,900	17,018	-	17,018
Total Support and Revenue	484,775	607,436	1,092,211	594,486	728,321	1,322,807
RECLASSIFICATIONS						
Net assets released for:						
Administration cost assessment	21,782	(21,782)	-	12,031	(12,031)	-
Satisfaction of purpose restrictions	584,350	(584,350)	-	700,700	(700,700)	-
Total Reclassifications	606,132	(606,132)	-	712,731	(712,731)	-
Total Support, Revenue and Reclassifications	1,090,907	1,304	1,092,211	1,307,217	15,590	1,322,807
EXPENSES						
Program services	855,637	-	855,637	1,065,551	-	1,065,551
Management and general	208,675	-	208,675	205,210	-	205,210
Fund-raising	57,260	-	57,260	49,532	-	49,532
Total Expenses	1,121,572	-	1,121,572	1,320,293	-	1,320,293
Change in Net Assets before Currency Exchange	(30,665)	1,304	(29,361)	(13,076)	15,590	2,514
Currency exchange	3,137	-	3,137	(941)	-	(941)
Change in Net Assets after Currency Exchange	(27,528)	1,304	(26,224)	(14,017)	15,590	1,573
Net Assets, Beginning of Year	1,715,489	180,648	1,896,137	1,729,506	165,058	1,894,564
Net Assets, End of Year	\$ 1,687,961	\$ 181,952	\$ 1,869,913	\$ 1,715,489	\$ 180,648	\$ 1,896,137

See accompanying notes and independent auditor's report

HEART TO HONDURAS, INC.

Consolidated Statements of Functional Expenses

For the Years Ended December 31,

	2018			2017 (Reviewed)				
	Program	Management and General	Fund- Raising	Total Expenses	Program	Management and General	Fund- Raising	Total Expenses
Salaries and wages	\$ 281,696	\$ 108,326	\$ 36,239	\$ 426,261	\$ 283,423	\$ 102,900	\$ 35,560	\$ 421,883
Retirement plan contributions	19,920	8,280	5,400	33,600	21,180	8,640	5,580	35,400
Other employee benefits	6,074	553	39	6,666	24,622	1,864	22	26,508
Payroll taxes	7,558	4,453	2,943	14,954	10,573	3,461	1,603	15,637
Professional services - legal	-	1,184	-	1,184	-	2,252	-	2,252
Professional services - accounting	-	12,758	-	12,758	-	14,825	-	14,825
Professional services - consulting	-	-	-	-	2,250	-	-	2,250
Advertising and promotion	7,288	632	2,663	10,583	18,859	31	-	18,890
Office expenses	16,484	16,538	2,213	35,235	25,431	16,016	3,049	44,496
Information technology	3,373	1,415	872	5,660	3,855	1,384	658	5,897
Occupancy	18,922	38,503	-	57,425	21,702	40,427	-	62,129
Travel	39,224	9,118	5,524	53,866	47,580	7,122	2,792	57,494
Conferences, conventions and meetings	256	385	-	641	1,531	925	-	2,456
Interest	-	1,016	-	1,016	-	1,205	-	1,205
Depreciation	39,400	3,445	-	42,845	47,234	3,593	-	50,827
Insurance	3,511	2,069	1,367	6,947	1,571	565	268	2,404
Direct program expenses	411,931	-	-	411,931	555,740	-	-	555,740
Total Expenses	\$ 855,637	\$ 208,675	\$ 57,260	\$ 1,121,572	\$ 1,065,551	\$ 205,210	\$ 49,532	\$ 1,320,293

See accompanying notes and independent auditor's report

HEART TO HONDURAS, INC.

Consolidated Statements of Cash Flows

	For the Years Ended December 31,	
	2018	2017 (Reviewed)
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (26,224)	\$ 1,573
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Loss on disposal of property and equipment	1,220	24,157
Depreciation expense	42,845	50,827
Change in:		
Contribution receivable	3,250	5,450
Prepaid expenses	(3,910)	(6,728)
Employee receivables	(484)	4
Inventory	(21)	119
Accounts payable	(1,477)	1,617
Accrued payroll and taxes	11,752	(6,185)
Deferred revenue	22,169	(2,181)
Accrued severance pay	(1,122)	17,801
Net Cash Provided by Operating Activities	47,998	86,454
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(77,333)	(43,054)
Net Cash Used by Investing Activities	(77,333)	(43,054)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from line of credit	35,500	40,500
Payments on line of credit	(2,000)	(40,500)
Net Cash Provided by Financing Activities	33,500	-
Change in Cash and Cash Equivalents	4,165	43,400
Cash and Cash Equivalents, Beginning of Year	174,365	130,965
Cash and Cash Equivalents, End of Year	\$ 178,530	\$ 174,365
SUPPLEMENTAL DISCLOSURES:		
Cash paid for interest	\$ 1,016	\$ 1,205

See accompanying notes and independent auditor's report

HEART TO HONDURAS, INC.

Notes to Consolidated Financial Statements

December 31, 2018 and 2017

1. NATURE OF ORGANIZATION

HTH is a holistic ministry, centered in Christ, resourced by passionate partners. With a vision to form disciples that will transform their world, Heart to Honduras partners with churches, educational and civic organizations, individuals and business to help the Honduran people realize their potential and to enable them to become agents of change in their communities. Heart to Honduras is equipping communities with sustainable models of work and development to provide clean water, secure housing, accessible medical care, a consistent food supply, adequate fair employment, as well as spiritual and educational opportunities.

Heart to Honduras, Inc. (HTH) was incorporated as a Florida nonprofit religious corporation in July 1991. In 2001, HTH relocated its domestic operations to Xenia, Ohio. HTH is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code (code) and is not a private foundation under Section 509(a)(2) of the code. HTH is supported primarily by contributions from churches and individuals. These financial statements include the assets, liabilities, net assets, revenue and expenses of Ministerio Corazon' Para Honduras Internacional (CPH), which operates as a non-governmental not-for-profit entity in Honduras. CPH reports to HTH's board of directors.

HTH is supported primarily by contributions.

2. SIGNIFICANT ACCOUNTING POLICIES

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements of HTH include the combined financial resources and activities of HTH and CPH, which HTH funds. All inter-organization balances and transactions have been eliminated in the consolidation.

BASIS OF ACCOUNTING

The financial statements have been prepared using the accrual basis of accounting. The preparation of financial statements in accordance with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates. The more significant accounting policies are summarized below.

FUNCTIONAL CURRENCY AND GAIN (LOSS) ON CURRENCY EXCHANGE

Because the primary source of financing occurs in U.S. dollars and because the changes in the foreign operation assets directly affect the cash flows of the U.S. operations, the functional currency used is the U.S. dollar. All transactions in foreign currencies have been translated into U.S. dollars at average rates of exchange prevailing for the years ended December 31, 2018 and 2017 as applicable. These translations are reported as currency exchange on the consolidated statements of activities.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of bank checking, savings and money market accounts. Balances in the bank accounts may at times exceed federally insured limits. HTH has not experienced any losses in these accounts and management believes it is not exposed to any significant credit risk.

HEART TO HONDURAS, INC.

Notes to Consolidated Financial Statements

December 31, 2018 and 2017

2. SIGNIFICANT ACCOUNTING POLICIES, continued

CASH AND CASH EQUIVALENTS, continued

HTH utilizes four accounts in a national bank in Honduras for funds deposited there, which totaled \$115,804 and \$99,137 at December 31, 2018 and 2017, respectively. Funds on deposit in Honduras banks are insured for up to 100,000 lempiras (or approximately \$4,105 and \$4,240 U.S. at December 31, 2018 and 2017, respectively) per each account.

CONTRIBUTION RECEIVABLE

Contribution receivable consists of one promise to give from an individual at December 31, 2018 and 2017. Unconditional promises to give are recognized as income when made and reported at fair value based upon estimated future cash flows. Unconditional promises to give that are expected to be collected within one year are reported at net realizable value because the present value of the estimated value of the estimated cash flows approximates net realizable value. Unconditional promises to give expected to be collected in future years are reported at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk free interest rates applicable to the years in which the promises are expected to be received. This discount rate is based on yields of the various U.S. treasury bills corresponding to the timing of the contributions receivable. Amortization of the discount is included in contribution revenue in the consolidated statements of activities. Management believes the contribution receivable balance is fully collectible at December 31, 2018 and 2017; there is, therefore, no allowance for doubtful promises to give. The contribution receivable balance at December 31, 2018 is expected to be received during the year ending December 31, 2019.

EMPLOYEE RECEIVABLES

Loans made to employees are approved by management. Employees must make monthly payments on these loans until fully paid. Upon termination of employment, management considers whether forgiveness of the unpaid balance is appropriate, given the circumstances. If not, arrangements for repayment are made with the former employee.

Outstanding loan balances are reviewed at year-end to determine their collectability. Those deemed to be uncollectible are written-off. Management thus believes all reported receivable balances are fully collectible and no provision for uncollectible accounts has been made.

INVENTORY

Inventory, which consists primarily of coffee and logo merchandise, is valued at the lower of cost or market. At December 31, 2018 and 2017, the value of inventory was \$394 and \$373, respectively. Cost is determined using the first-in, first-out method.

PROPERTY HELD FOR SALE

Property held for sale consists of the land and buildings of the former CPH headquarters in San Isidro, Honduras.

PROPERTY AND EQUIPMENT

Property and equipment is reported at cost, estimated cost or fair value. Expenditures for property and equipment in excess of \$1,000 and having estimated useful lives of three years or more are capitalized at cost when purchased. Donated items are reported at their estimated fair values as of the date the gifts are received. Depreciation is reported using the straight-line method over the estimated useful lives of the assets, which range from three to forty years. Depreciation expense was \$42,845 and \$50,827 for the years ended December 31, 2018 and 2017, respectively.

DEFERRED REVENUE

Deferred revenue results primarily from deposits received for CPH camp events occurring in the subsequent year.

HEART TO HONDURAS, INC.

Notes to Consolidated Financial Statements

December 31, 2018 and 2017

2. SIGNIFICANT ACCOUNTING POLICIES, continued

ACCRUED SEVERANCE PAY

Accrued severance pay reflects amounts due to employees at December 31, 2018 and 2017 under Honduran employment regulations, which prescribe that eligible employees are entitled to one month of severance compensation for every year of employment up to a maximum of fifteen months' compensation. Several former employees have in the past resigned and received their respective severance pay amounts. Some of these individuals have then been rehired by HTH as contract workers.

NET ASSETS

Net assets, revenues, gains and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes in net assets therein are classified as reported as follows:

NET ASSETS WITHOUT DONOR RESTRICTIONS are net assets available for use in general operations and not subject to donor or certain grantor-imposed restrictions. The governing board has not designated any net assets without donor restrictions for specific purposes.

NET ASSETS WITH DONOR RESTRICTIONS are net assets subject to donor or certain grantor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource for which the resource was restricted has been fulfilled or both.

SUPPORT AND REVENUE

Contributions are recognized when cash, securities or other assets, an unconditional promise to give or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

Contributions of assets other than cash and services are reported at their estimated fair value. HTH reports donations of property and equipment as contributions without donor restriction unless the donor has restricted the donated asset to a specific purpose. Property and equipment donated with restrictions regarding their use and contributions of cash to acquire property are reported as contributions with donor restrictions.

All other revenues are recorded when earned.

GIFTS IN KIND

During the years ended December 31, 2018 and 2017, HTH received contributions of property, equipment and supplies having an estimated value of approximately \$5,933 and \$2,850, respectively. Also included in gifts-in-kind revenue is the estimated fair rental value of \$12,000 for both years ended December 31, 2018 and 2017 for leased office space (Note 6).

CONTRIBUTED SERVICES

For the years ended December 31, 2018 and 2017, contributed services that require specialized skills are reflected in the statements of activities at their estimated fair value of \$26,962 and \$55,168, respectively. These services included medical and information technology services for both years ended December 31, 2018 and 2017.

HEART TO HONDURAS, INC.

Notes to Consolidated Financial Statements

December 31, 2018 and 2017

2. SIGNIFICANT ACCOUNTING POLICIES, continued

FUNCTIONAL ALLOCATION OF EXPENSES

Expenses are reported when incurred, that is, when the purchased goods or services have been received.

The costs of program, management and fund-raising activities have been summarized on a functional basis in the consolidated statements of activities. The consolidated statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the program, management and fund-raising activities benefitting from those expenditures.

Certain categories of expenses are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and wages, payroll taxes, professional services, office expenses, information technology, occupancy and depreciation which are allocated based on the guidelines defining the nature of program, management and fund-raising expenses and estimates of time, effort and utilization.

CHANGE IN ACCOUNTING PRINCIPLE

On August 18, 2016, The Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources and the lack of consistency in the type of information provided about expenses and investment return. HTH has adopted ASU 2016-14 and has adjusted the presentation in these financial statements accordingly. The ASU has been applied retrospectively to all periods presented.

LIQUIDITY AND AVAILABILITY

HTH has financial assets available within one year of the statement of financial position date to meet cash needs for general expenditure as detailed below. The amounts shown below are net of financial assets required to meet donor or other contractual restrictions that make them unavailable for general expenditure within one year of the statement of financial position date.

	December 31,	
	2018	2017 (Reviewed)
Cash and cash equivalents	\$ 178,530	\$ 174,365
Contribution receivable	2,500	5,750
Employee receivables	509	25
Less: net assets with donor restrictions	(181,952)	(180,648)
	<u>\$ (413)</u>	<u>\$ (508)</u>

HTH maintains bank checking and savings accounts for liquidity management.

As shown above, at December 31, 2018 and 2017, the balance of net assets with donor restrictions exceeded the balance of cash and cash equivalents and other financial assets. However, HTH can borrow against its \$35,000 line of credit (Note 4) if such would be necessary to fulfill the stipulated purposes of net assets with donor restrictions.

HEART TO HONDURAS, INC.

Notes to Consolidated Financial Statements

December 31, 2018 and 2017

3. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	December 31, 2018		
	Headquarters	Honduras	Total
Land	\$ -	\$ 516,031	\$ 516,031
Land improvements	-	315,023	315,023
Buildings and leasehold improvements	350,630	1,093,244	1,443,874
Construction in progress	-	97,648	97,648
Furniture and equipment	30,200	81,564	111,764
Vehicles	-	194,171	194,171
	<u>380,830</u>	<u>2,297,681</u>	<u>2,678,511</u>
Accumulated depreciation	<u>(162,444)</u>	<u>(744,209)</u>	<u>(906,653)</u>
	<u>\$ 218,386</u>	<u>\$ 1,553,472</u>	<u>\$ 1,771,858</u>
	December 31, 2017		
	(Reviewed)		
	Headquarters	Honduras	Total
Land	\$ -	\$ 516,031	\$ 516,031
Land improvements	-	315,023	315,023
Buildings and leasehold improvements	350,630	1,068,689	1,419,319
Construction in progress	-	53,928	53,928
Furniture and equipment	29,101	81,338	110,439
Vehicles	-	191,038	191,038
	<u>379,731</u>	<u>2,226,047</u>	<u>2,605,778</u>
Accumulated depreciation	<u>(152,628)</u>	<u>(714,560)</u>	<u>(867,188)</u>
	<u>\$ 227,103</u>	<u>\$ 1,511,487</u>	<u>\$ 1,738,590</u>

Management has reviewed the assets in Honduras and, in its opinion, has determined they are under the control and ownership of HTH. While such items are recognized as assets of HTH, the political situation in many foreign countries is subject to rapid change. While HTH believes the assets are properly stated at the date of this report, subsequent changes could occur that would adversely affect the realizable value of the assets in Honduras. In addition, the carrying value of the assets in Honduras may not represent the amount that could be realized should the assets be sold.

Several of the buildings in Honduras have been built by donated labor and with donated materials. According to U.S. generally accepted accounting principles, these assets have been reported at their estimated fair values as of the dates they were placed in service.

HEART TO HONDURAS, INC.

Notes to Consolidated Financial Statements

December 31, 2018 and 2017

4. LINE OF CREDIT

HTH has a \$35,000 unsecured line of credit, which is due on demand and subject to annual review by the bank. Amounts borrowed under this agreement bear interest at the bank's prime rate plus four percent (which equates to 6.50 percent and 4.75 percent at December 31, 2018 and 2017, respectively). HTH borrowed \$35,500 and repaid \$2,000 during the year ended December 31, 2018. During the year ended December 31, 2017, HTH both borrowed and repaid a total of \$40,500 on the line of credit.

5. EMPLOYEE BENEFIT PLAN

HTH provides retirement benefits to its full-time staff with ministerial credentials through a defined contribution plan administered by Servant Solutions, which is a retirement plan governed by the General Assembly of the Church of God. HTH board of directors determines the amount to contribute annually. Contributions to the plan during the years ended December 31, 2018 and 2017 were \$33,600 and \$35,400, respectively.

6. LEASE AGREEMENTS

HTH leased a copier on January 2013 for a 60-month agreement which expired in December 2017 and required monthly payments of \$465. Total lease expense for the year ended December 31, 2017 was \$5,123. HTH purchased the copier in January 2018 for \$890.

HTH has a long-term lease for its headquarters facility in Xenia, Ohio. The lease is for 99 years at an annual cost of \$1. This lease meets the criteria for a bargain lease. Therefore, the estimated fair rental value has been reported as both gift-in-kind revenue and an administrative expense in the consolidated statements of activities. The estimated fair value of the leased property was \$12,000 for each of the years ended December 31, 2018 and 2017, respectively.

HTH sub-leases a portion of its headquarters to another nonprofit organization. This sub-lease is on a year-to-year basis, expires on January 31 and requires monthly payments of \$1,325. In January 2019, the same organization signed a three-year sub-lease which requires monthly payments of \$1,525. Minimum future rental revenues from this lease are as follows:

Minimum future rental revenues are as follows:

<u>Year Ending December 31,</u>	
2019	\$ 18,300
2020	18,300
2021	<u>18,300</u>

The carrying value of sub-leased property is as follows:

	<u>December 31,</u>	
	2018	2017 (Reviewed)
Leasehold improvements	\$ 66,515	\$ 66,515
Less: accumulated depreciation	<u>(26,746)</u>	<u>(25,083)</u>
	<u>\$ 39,769</u>	<u>\$ 41,432</u>

HEART TO HONDURAS, INC.

Notes to Consolidated Financial Statements

December 31, 2018 and 2017

7. NET ASSETS WITH DONOR RESTRICTIONS

Changes in and year-end balances of net assets with donor restrictions are as follows:

	December 31, 2016 (Reviewed)	Contributions and Investment Income	Released From Restriction	December 31, 2017 (Reviewed)
Brazos Abiertos	\$ 11,766	\$ 33,816	\$ 30,981	\$ 14,601
Community development	15,102	17,429	11,989	20,542
Education	18,998	12,840	6,819	25,019
Groups	21,850	212,693	206,461	28,082
Health care	5,787	1,800	150	7,437
Land development	815	-	815	-
Leadership development	3,844	-	-	3,844
Ministries	17,925	32,467	41,030	9,362
Projects	57,576	128,783	135,866	50,493
Sister churches	7,189	16,435	22,242	1,382
Staffing support	-	252,145	252,145	-
The Big Picture	4,206	19,913	4,233	19,886
	<u>\$ 165,058</u>	<u>\$ 728,321</u>	<u>\$ 712,731</u>	<u>\$ 180,648</u>
	December 31, 2017 (Reviewed)	Contributions and Investment Income	Released From Restriction	December 31, 2018
Brazos Abiertos	\$ 14,601	\$ 36,174	\$ 33,239	\$ 17,536
Community development	20,542	42,037	17,587	44,992
Education	25,019	2,121	10,940	16,200
Groups	28,082	26,669	44,602	10,149
Health care	7,437	-	-	7,437
Leadership development	3,844	24,436	24,988	3,292
Ministries	9,362	19,485	23,293	5,554
Projects	50,493	104,649	104,773	50,369
Sister churches	1,382	14,194	7,194	8,382
Staffing support	-	248,076	248,076	-
The Big Picture	19,886	89,595	91,440	18,041
	<u>\$ 180,648</u>	<u>\$ 607,436</u>	<u>\$ 606,132</u>	<u>\$ 181,952</u>

8. CONCENTRATION

For both years ended December 31, 2018 and 2017, the top five donors provided approximately 31 percent of total contributions.

HEART TO HONDURAS, INC.

Notes to Consolidated Financial Statements

December 31, 2018 and 2017

9. SUBSEQUENT EVENTS

Management has evaluated for potential recognition or disclosure in these financial statements subsequent events and transactions occurring through October 28, 2019, the date these financial statements were available to be issued. No such significant events or transactions were identified.

SUPPLEMENTARY DATA

HEART TO HONDURAS, INC.

Consolidating Statements of Financial Position

December 31,

	2018				2017 (Reviewed)			
	Heart To Honduras	Corazon' Para Honduras	Eliminations	Total	Heart To Honduras	Corazon' Para Honduras	Eliminations	Total
	ASSETS							
Cash and cash equivalents	\$ 62,726	\$ 115,804	\$ -	\$ 178,530	\$ 75,228	\$ 99,137	\$ -	\$ 174,365
Contribution receivable	2,500	-	-	2,500	5,750	-	-	5,750
Prepaid expenses	10,638	-	-	10,638	6,728	-	-	6,728
Employee receivables	-	509	-	509	-	25	-	25
Inventory	-	394	-	394	-	373	-	373
Property held for sale	-	18,236	-	18,236	-	18,236	-	18,236
Property and equipment, net	218,386	1,553,472	-	1,771,858	227,103	1,511,487	-	1,738,590
Total Assets	\$ 294,250	\$ 1,688,415	\$ -	\$ 1,982,665	\$ 314,809	\$ 1,629,258	\$ -	\$ 1,944,067
LIABILITIES AND NET ASSETS								
Liabilities								
Accounts payable	\$ 450	\$ 755	\$ -	\$ 1,205	\$ 1,332	\$ 1,350	\$ -	\$ 2,682
Accrued payroll and taxes	-	13,162	-	13,162	-	1,410	-	1,410
Deferred revenue	-	23,576	-	23,576	-	1,407	-	1,407
Line of credit	33,500	-	-	33,500	-	-	-	-
Accrued severance pay	-	41,309	-	41,309	-	42,431	-	42,431
Total Liabilities	33,950	78,802	-	112,752	1,332	46,598	-	47,930
Net Assets								
Without donor restrictions								
Undesignated	(63,331)	(20,566)	-	(83,897)	(16,078)	(7,023)	-	(23,101)
Net investment in property and equipment	218,386	1,553,472	-	1,771,858	227,103	1,511,487	-	1,738,590
	155,055	1,532,906	-	1,687,961	211,025	1,504,464	-	1,715,489
With donor restrictions	105,245	76,707	-	181,952	102,452	78,196	-	180,648
Total Net Assets	260,300	1,609,613	-	1,869,913	313,477	1,582,660	-	1,896,137
Total Liabilities and Net Assets	\$ 294,250	\$ 1,688,415	\$ -	\$ 1,982,665	\$ 314,809	\$ 1,629,258	\$ -	\$ 1,944,067

See accompanying notes and independent auditor's report

HEART TO HONDURAS, INC.

Consolidating Statement of Activities

For the Year Ended December 31, 2018

	Heart To Honduras			Corazon' Para Honduras			Eliminations	Total
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total		
SUPPORT AND REVENUE								
Contributions	\$ 305,494	\$ 526,184	\$ 831,678	\$ 2,858	\$ 81,252	\$ 84,110	\$ -	\$ 915,788
Grants from Heart To Honduras	-	-	-	39,108	384,830	423,938	(423,938)	-
Gifts-in-kind	41,762	-	41,762	3,133	-	3,133	-	44,895
Investment income	(211)	-	(211)	2,362	-	2,362	-	2,151
Merchandise sales, net of cost of goods sold of \$1,035	-	-	-	881	-	881	-	881
Camp revenue	-	-	-	112,596	-	112,596	-	112,596
Other revenue	15,900	-	15,900	-	-	-	-	15,900
Total Support and Revenue	362,945	526,184	889,129	160,938	466,082	627,020	(423,938)	1,092,211
RECLASSIFICATIONS								
Net assets released for:								
Administration cost assessment	21,782	(21,782)	-	-	-	-	-	-
Satisfaction of purpose restrictions	501,609	(501,609)	-	467,571	(467,571)	-	-	-
Total Reclassifications	523,391	(523,391)	-	467,571	(467,571)	-	-	-
Total Support, Revenue and Reclassifications	886,336	2,793	889,129	628,509	(1,489)	627,020	(423,938)	1,092,211
EXPENSES								
Program services	742,807	-	742,807	536,768	-	536,768	(423,938)	855,637
Management and general	153,498	-	153,498	55,177	-	55,177	-	208,675
Fund-raising	46,001	-	46,001	11,259	-	11,259	-	57,260
Total Expenses	942,306	-	942,306	603,204	-	603,204	(423,938)	1,121,572
Change in Net Assets before Currency Exchange	(55,970)	2,793	(53,177)	25,305	(1,489)	23,816	-	(29,361)
Currency exchange	-	-	-	3,137	-	3,137	-	3,137
Change in Net Assets after Currency Exchange	(55,970)	2,793	(53,177)	28,442	(1,489)	26,953	-	(26,224)
Net Assets, Beginning of Year	211,025	102,452	313,477	1,504,464	78,196	1,582,660	-	1,896,137
Net Assets, End of Year	\$ 155,055	\$ 105,245	\$ 260,300	\$ 1,532,906	\$ 76,707	\$ 1,609,613	\$ -	\$ 1,869,913

See accompanying notes and independent auditor's report

HEART TO HONDURAS, INC.

Consolidating Statement of Activities

For the Year Ended December 31, 2017

(Reviewed)

	Heart To Honduras			Corazon' Para Honduras			Eliminations	Total
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total		
SUPPORT AND REVENUE								
Contributions	\$ 382,666	\$ 469,135	\$ 851,801	\$ 4,590	\$ 259,186	\$ 263,776	\$ -	\$ 1,115,577
Grants from Heart To Honduras	-	-	-	50,427	366,561	416,988	(416,988)	-
Gifts-in-kind	70,018	-	70,018	-	-	-	-	70,018
Investment income	493	-	493	1,104	-	1,104	-	1,597
Merchandise sales, net of cost of goods sold of \$1,064	-	-	-	906	-	906	-	906
Camp revenue	-	-	-	117,691	-	117,691	-	117,691
Other revenue	15,900	-	15,900	1,118	-	1,118	-	17,018
Total Support and Revenue	<u>469,077</u>	<u>469,135</u>	<u>938,212</u>	<u>175,836</u>	<u>625,747</u>	<u>801,583</u>	<u>(416,988)</u>	<u>1,322,807</u>
RECLASSIFICATIONS								
Net assets released for:								
Administration cost assessment	12,031	(12,031)	-	-	-	-	-	-
Satisfaction of purpose restrictions	445,855	(445,855)	-	621,406	(621,406)	-	-	-
Total Reclassifications	<u>457,886</u>	<u>(457,886)</u>	<u>-</u>	<u>621,406</u>	<u>(621,406)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Support, Revenue and Reclassifications	<u>926,963</u>	<u>11,249</u>	<u>938,212</u>	<u>797,242</u>	<u>4,341</u>	<u>801,583</u>	<u>(416,988)</u>	<u>1,322,807</u>
EXPENSES								
Program services	762,457	-	762,457	720,082	-	720,082	(416,988)	1,065,551
Management and general	158,726	-	158,726	46,484	-	46,484	-	205,210
Fund-raising	42,048	-	42,048	7,484	-	7,484	-	49,532
Total Expenses	<u>963,231</u>	<u>-</u>	<u>963,231</u>	<u>774,050</u>	<u>-</u>	<u>774,050</u>	<u>(416,988)</u>	<u>1,320,293</u>
Change in Net Assets before Currency Exchange	(36,268)	11,249	(25,019)	23,192	4,341	27,533	-	2,514
Currency exchange	-	-	-	(941)	-	(941)	-	(941)
Change in Net Assets after Currency Exchange	(36,268)	11,249	(25,019)	22,251	4,341	26,592	-	1,573
Net Assets, Beginning of Year	<u>247,293</u>	<u>91,203</u>	<u>338,496</u>	<u>1,482,213</u>	<u>73,855</u>	<u>1,556,068</u>	<u>-</u>	<u>1,894,564</u>
Net Assets, End of Year	<u>\$ 211,025</u>	<u>\$ 102,452</u>	<u>\$ 313,477</u>	<u>\$ 1,504,464</u>	<u>\$ 78,196</u>	<u>\$ 1,582,660</u>	<u>\$ -</u>	<u>\$ 1,896,137</u>

See accompanying notes and independent auditor's report

HEART TO HONDURAS, INC.

Consolidating Statement of Functional Expenses

For the Year Ended December 31, 2018

	Heart to Honduras				Corazon' Para Honduras				Eliminations	Total Expenses
	Program	Management and General	Fund-Raising	Total Expenses	Program	Management and General	Fund-Raising	Total Expenses		
Grants to Corazon' Para Honduras	\$ 423,938	\$ -	\$ -	\$ 423,938	\$ -	\$ -	\$ -	\$ -	\$ (423,938)	\$ -
Salaries and wages	174,029	64,599	24,980	263,608	107,667	43,727	11,259	162,653	-	426,261
Retirement plan contributions	19,920	8,280	5,400	33,600	-	-	-	-	-	33,600
Other employee benefits	99	59	39	197	5,975	494	-	6,469	-	6,666
Payroll taxes	7,558	4,453	2,943	14,954	-	-	-	-	-	14,954
Professional services - legal	-	-	-	-	-	1,184	-	1,184	-	1,184
Professional services - accounting	-	12,146	-	12,146	-	612	-	612	-	12,758
Advertising and promotion	7,121	465	2,663	10,249	167	167	-	334	-	10,583
Office expenses	4,574	10,954	2,213	17,741	11,910	5,584	-	17,494	-	35,235
Information technology	2,240	1,321	872	4,433	1,133	94	-	1,227	-	5,660
Occupancy	-	38,503	-	38,503	18,922	-	-	18,922	-	57,425
Travel	11,488	6,794	5,524	23,806	27,736	2,324	-	30,060	-	53,866
Conferences, conventions and meetings	256	385	-	641	-	-	-	-	-	641
Interest	-	1,016	-	1,016	-	-	-	-	-	1,016
Depreciation	7,362	2,454	-	9,816	32,038	991	-	33,029	-	42,845
Insurance	3,511	2,069	1,367	6,947	-	-	-	-	-	6,947
Direct program expenses	80,711	-	-	80,711	331,220	-	-	331,220	-	411,931
Total Expenses	\$ 742,807	\$ 153,498	\$ 46,001	\$ 942,306	\$ 536,768	\$ 55,177	\$ 11,259	\$ 603,204	\$ (423,938)	\$ 1,121,572

See accompanying notes and independent auditor's report

HEART TO HONDURAS, INC.

Consolidating Statement of Functional Expenses

For the Year Ended December 31, 2017

(Reviewed)

	Heart to Honduras			Corazon' Para Honduras			Eliminations	Total Expenses		
	Program	Management and General	Fund-Raising	Total Expenses	Program	Management and General			Fund-Raising	Total Expenses
Grants to Corazon' Para Honduras	\$ 416,988	\$ -	\$ -	\$ 416,988	\$ -	\$ -	\$ -	\$ -	\$ (416,988)	\$ -
Salaries and wages	194,212	70,918	28,187	293,317	89,211	31,982	7,373	128,566	-	421,883
Retirement plan contributions	21,180	8,640	5,580	35,400	-	-	-	-	-	35,400
Other employee benefits	130	47	22	199	24,492	1,817	-	26,309	-	26,508
Payroll taxes	9,392	3,373	1,603	14,368	1,181	88	-	1,269	-	15,637
Professional services - legal	-	-	-	-	-	2,252	-	2,252	-	2,252
Professional services - accounting	-	10,800	-	10,800	-	4,025	-	4,025	-	14,825
Professional services - consulting	2,250	-	-	2,250	-	-	-	-	-	2,250
Advertising and promotion	18,829	-	-	18,829	30	31	-	61	-	18,890
Office expenses	12,098	13,869	3,049	29,016	13,333	2,147	-	15,480	-	44,496
Information technology	3,206	1,151	547	4,904	649	233	111	993	-	5,897
Occupancy	-	40,427	-	40,427	21,702	-	-	21,702	-	62,129
Travel	12,331	4,455	2,792	19,578	35,249	2,667	-	37,916	-	57,494
Conferences, conventions and meetings	1,531	925	-	2,456	-	-	-	-	-	2,456
Interest	-	1,205	-	1,205	-	-	-	-	-	1,205
Depreciation	7,054	2,351	-	9,405	40,180	1,242	-	41,422	-	50,827
Insurance	1,571	565	268	2,404	-	-	-	-	-	2,404
Direct program expenses	61,685	-	-	61,685	494,055	-	-	494,055	-	555,740
Total Expenses	\$ 762,457	\$ 158,726	\$ 42,048	\$ 963,231	\$ 720,082	\$ 46,484	\$ 7,484	\$ 774,050	\$ (416,988)	\$ 1,320,293

See accompanying notes and independent auditor's report