



HEART TO HONDURAS, INC.

**CONSOLIDATED FINANCIAL
STATEMENTS**

December 31, 2019 and 2018

HEART TO HONDURAS, INC.

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HEART TO HONDURAS, INC.

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INDEPENDENT ACCOUNTANTS' REVIEW REPORT

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

We have reviewed the accompanying consolidated financial statements of Heart To Honduras, Inc. (a not-for-profit organization), which consist of the consolidated statement of financial position as of December 31, 2019, 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. A review includes applying primarily analytical procedures to management's financial data and making inquiries of organization management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the consolidated financial statements as a whole. Accordingly, we do not express such an opinion.

MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED 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.

ACCOUNTANTS' RESPONSIBILITY

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the consolidated financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

ACCOUNTANTS' CONCLUSION

Based on our review, we are not aware of any material modifications that should be made to the accompanying consolidated financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

REPORT ON 2018 FINANCIAL STATEMENTS

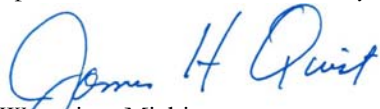
The consolidated financial statements as of and for the year ended December 31, 2018 were audited by us and we expressed an unmodified opinion on them in our report dated October 28, 2019. We have not performed any auditing procedures since that date.

SUPPLEMENTARY DATA

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. Our review of the consolidated financial statements as of and for the year ended December 31, 2019 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.

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Our audit of the consolidated financial statements as of and for the year ended December 31, 2018 was conducted for the purpose of forming an opinion on the financial statements as a whole. The information has been subjected to the audit 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

A handwritten signature in blue ink that reads "James H. Quist". The signature is written in a cursive style with a large initial "J".

Wyoming, Michigan
[date of approval]

HEART TO HONDURAS, INC.

Consolidated Statements of Financial Position

	December 31,	
	2019	2018 (Audited)
ASSETS		
Cash and cash equivalents	\$ 182,499	\$ 178,530
Contribution receivable	-	2,500
Prepaid expenses	1,696	10,638
Employee receivables	-	509
Inventory	3,403	394
Property held for sale	-	18,236
Property and equipment, net	1,760,149	1,771,858
Total Assets	\$ 1,947,747	\$ 1,982,665
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 1,733	\$ 1,205
Accrued payroll and taxes	11,477	13,162
Deferred revenue	21,239	23,576
Line of credit	30,500	33,500
Accrued severance pay	74,747	41,309
Total Liabilities	139,696	112,752
Net Assets		
Without donor restrictions		
Undesignated	(111,084)	(85,398)
Net investment in property and equipment	1,760,149	1,771,858
	1,649,065	1,686,460
With donor restrictions	158,986	183,453
Total Net Assets	1,808,051	1,869,913
Total Liabilities and Net Assets	\$ 1,947,747	\$ 1,982,665

See accompanying notes and independent accountants' review report

HEART TO HONDURAS, INC.

Consolidated Statements of Activities

For the Years Ended December 31,

	2019		2018 (Audited)			
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
	SUPPORT AND REVENUE					
Contributions	\$ 383,674	\$ 499,548	\$ 883,222	\$ 344,376	\$ 571,412	\$ 915,788
Gifts-in-kind	82,950	-	82,950	44,895	-	44,895
Investment income	2,861	-	2,861	2,151	-	2,151
Merchandise sales, net of cost of goods sold of \$1,035 and \$1,064 respectively	1,526	-	1,526	881	-	881
Camp revenue	145,605	-	145,605	113,816	-	113,816
Loss on disposal of property and equipment	(12,494)	-	(12,494)	(1,220)	-	(1,220)
Other revenue	18,100	-	18,100	15,900	-	15,900
Total Support and Revenue	<u>622,222</u>	<u>499,548</u>	<u>1,121,770</u>	<u>520,799</u>	<u>571,412</u>	<u>1,092,211</u>
RECLASSIFICATIONS						
Net assets released for:						
Administration cost assessment	18,874	(18,874)	-	21,782	(21,782)	-
Satisfaction of purpose restrictions	505,141	(505,141)	-	546,825	(546,825)	-
Total Reclassifications	<u>524,015</u>	<u>(524,015)</u>	<u>-</u>	<u>568,607</u>	<u>(568,607)</u>	<u>-</u>
Total Support, Revenue and Reclassifications	<u>1,146,237</u>	<u>(24,467)</u>	<u>1,121,770</u>	<u>1,089,406</u>	<u>2,805</u>	<u>1,092,211</u>
EXPENSES						
Program services	901,845	-	901,845	846,798	-	846,798
Management and general	224,932	-	224,932	214,720	-	214,720
Fund-raising	57,500	-	57,500	60,054	-	60,054
Total Expenses	<u>1,184,277</u>	<u>-</u>	<u>1,184,277</u>	<u>1,121,572</u>	<u>-</u>	<u>1,121,572</u>
Change in Net Assets before Currency Exchange	(38,040)	(24,467)	(62,507)	(32,166)	2,805	(29,361)
Currency exchange	645	-	645	3,137	-	3,137
Change in Net Assets after Currency Exchange	<u>(37,395)</u>	<u>(24,467)</u>	<u>(61,862)</u>	<u>(29,029)</u>	<u>2,805</u>	<u>(26,224)</u>
Net Assets, Beginning of Year	<u>1,686,460</u>	<u>183,453</u>	<u>1,869,913</u>	<u>1,715,489</u>	<u>180,648</u>	<u>1,896,137</u>
Net Assets, End of Year	<u>\$ 1,649,065</u>	<u>\$ 158,986</u>	<u>\$ 1,808,051</u>	<u>\$ 1,686,460</u>	<u>\$ 183,453</u>	<u>\$ 1,869,913</u>

See accompanying notes and independent accountants' review report

HEART TO HONDURAS, INC.

Consolidated Statements of Functional Expenses

For the Years Ended December 31,

	2019				2018 (Audited)			
	Program Services	Management and General	Fund- Raising	Total Expenses	Program Services	Management and General	Fund- Raising	Total Expenses
Payments made to or on behalf of								
Corazon Para Honduras	\$ 25,220	\$ -	\$ -	\$ 25,220	\$ -	\$ -	\$ -	\$ -
Salaries and wages	295,057	95,615	32,862	423,534	283,716	106,689	35,856	426,261
Retirement plan contributions	21,600	6,840	5,160	33,600	21,600	6,840	5,160	33,600
Other employee benefits	33,931	11,550	3,934	49,415	4,431	1,748	487	6,666
Payroll taxes	7,750	4,569	3,123	15,442	7,558	4,453	2,943	14,954
Professional services - legal	-	8,288	-	8,288	-	1,184	-	1,184
Professional services - accounting	-	19,036	-	19,036	-	12,758	-	12,758
Advertising and promotion	4,845	350	1,212	6,407	7,288	632	2,663	10,583
Office expenses	14,890	21,053	2,904	38,847	13,209	18,921	3,105	35,235
Information technology	3,618	1,750	1,015	6,383	3,062	1,641	957	5,660
Occupancy	27,975	34,118	-	62,093	18,922	38,503	-	57,425
Travel	37,457	13,813	6,441	57,711	31,914	14,436	7,516	53,866
Conferences, conventions and meetings	813	1,219	-	2,032	256	385	-	641
Interest	-	1,827	-	1,827	-	1,016	-	1,016
Depreciation	43,563	3,661	-	47,224	39,400	3,445	-	42,845
Insurance	2,110	1,243	849	4,202	3,511	2,069	1,367	6,947
Direct program expenses	383,016	-	-	383,016	411,931	-	-	411,931
Total Expenses	\$ 901,845	\$ 224,932	\$ 57,500	\$ 1,184,277	\$ 846,798	\$ 214,720	\$ 60,054	\$ 1,121,572

See accompanying notes and independent accountants' review report

HEART TO HONDURAS, INC.

Consolidated Statements of Cash Flows

	For the Years Ended December 31,	
	2019	2018 (Audited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (61,862)	\$ (26,224)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Loss on disposal of property and equipment	12,494	1,220
Depreciation expense	47,224	42,845
Change in:		
Contribution receivable	2,500	3,250
Prepaid expenses	8,942	(3,910)
Employee receivables	509	(484)
Inventory	(3,009)	(21)
Accounts payable	528	(1,477)
Accrued payroll and taxes	(1,685)	11,752
Deferred revenue	(2,337)	22,169
Accrued severance pay	33,438	(1,122)
Net Cash Provided by Operating Activities	36,742	47,998
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(89,773)	(77,333)
Proceeds from disposal of property and equipment	60,000	-
Net Cash Used by Investing Activities	(29,773)	(77,333)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from line of credit	-	35,500
Payments on line of credit	(3,000)	(2,000)
Net Cash (Used) Provided by Financing Activities	(3,000)	33,500
Change in Cash and Cash Equivalents	3,969	4,165
Cash and Cash Equivalents, Beginning of Year	178,530	174,365
Cash and Cash Equivalents, End of Year	\$ 182,499	\$ 178,530
SUPPLEMENTAL DISCLOSURES:		
Cash paid for interest	\$ 1,827	\$ 1,016

See accompanying notes and independent accountants' review report

HEART TO HONDURAS, INC.

Notes to Consolidated Financial Statements

December 31, 2019 and 2018

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, 2019 and 2018 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, 2019 and 2018

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 \$153,697 and \$115,804 at December 31, 2019 and 2018, respectively. Funds on deposit in Honduras banks are insured for up to 100,000 lempiras (or approximately \$4,080 and \$4,105 U.S. at December 31, 2019 and 2018, respectively) per each account.

CONTRIBUTION RECEIVABLE

Contribution receivable consists of one promise to give from an individual at December 31, 2018. 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. There was no allowance for doubtful promises to give as management expected and did receive full payment of the promise to give.

PREPAID EXPENSES

Prepaid expenses at both December 31, 2019 and 2018 consist of expenditures for insurance, software and travel costs which were paid prior to the end of the fiscal year but which benefit the following fiscal years.

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 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, 2019 and 2018, the value of inventory was \$3,403 and \$394, respectively. Cost is determined using the first-in, first-out method.

PROPERTY HELD FOR SALE

Property held for sale consisted of the land and buildings of the former CPH headquarters in San Isidro, Honduras. This property was sold with other assets during the year ended December 31, 2019 for \$60,000.

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 \$47,224 and \$42,845 for the years ended December 31, 2019 and 2018, respectively.

HEART TO HONDURAS, INC.

Notes to Consolidated Financial Statements

December 31, 2019 and 2018

2. SIGNIFICANT ACCOUNTING POLICIES, continued

DEFERRED REVENUE

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

ACCRUED SEVERANCE PAY

Accrued severance pay reflects amounts due to employees at December 31, 2019 and 2018 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, 2019 and 2018, HTH received contributions of property, equipment and supplies having an estimated value of approximately \$1,507 and \$5,933, respectively. Also included in gifts-in-kind revenue is the estimated fair rental value of \$12,000 for both years ended December 31, 2019 and 2018 for leased office space (Note 6).

HEART TO HONDURAS, INC.

Notes to Consolidated Financial Statements

December 31, 2019 and 2018

2. SIGNIFICANT ACCOUNTING POLICIES, continued

CONTRIBUTED SERVICES

For the years ended December 31, 2019 and 2018, contributed services that require specialized skills are reflected in the statements of activities at their estimated fair value of \$69,443 and \$26,962, respectively. These services included medical and information technology services for both years ended December 31, 2019 and 2018.

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.

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,	
	2019	2018
		(Audited)
Cash and cash equivalents	\$ 182,499	\$ 178,530
Contribution receivable	-	2,500
Employee receivables	-	509
Less: net assets with donor restrictions	(158,986)	(183,453)
	<u>\$ 23,513</u>	<u>\$ (1,914)</u>

HTH maintains bank checking and savings accounts for liquidity management.

As shown above, at December 31, 2018, the balance of net assets with donor restrictions exceeded the balance of cash and cash equivalents and other financial assets. HTH is able to 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, 2019 and 2018

3. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	December 31, 2019		
	Headquarters	Honduras	Total
Land	\$ -	\$ 523,288	\$ 523,288
Land improvements	-	315,023	315,023
Buildings and leasehold improvements	350,630	1,069,144	1,419,774
Construction in progress	-	39,111	39,111
Furniture and equipment	30,200	189,259	219,459
Vehicles	-	194,171	194,171
	<u>380,830</u>	<u>2,329,996</u>	<u>2,710,826</u>
Accumulated depreciation	<u>(172,644)</u>	<u>(778,033)</u>	<u>(950,677)</u>
	<u>\$ 208,186</u>	<u>\$ 1,551,963</u>	<u>\$ 1,760,149</u>

	December 31, 2018 (Audited)		
	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>

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, 2019 and 2018

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 5.75 percent and 6.50 percent at December 31, 2019 and 2018, respectively). HTH did not borrow any additional funds and repaid \$3,000 during the year ended December 31, 2019. During the year ended December 31, 2018, HTH borrowed \$35,500 and repaid \$2,000 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 both years ended December 31, 2019 and 2018 were \$33,600.

6. LEASE AGREEMENTS

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, 2019 and 2018, 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:

	<u>December 31,</u>	
		2018
	2019	(Audited)
Leasehold improvements	\$ 66,515	\$ 66,515
Less: accumulated depreciation	<u>(28,409)</u>	<u>(26,746)</u>
	<u>\$ 38,106</u>	<u>\$ 39,769</u>

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

<u>Year Ending December 31,</u>	
2020	\$ 18,300
2021	18,300
2022	<u>1,525</u>
	<u>\$ 38,125</u>

HEART TO HONDURAS, INC.

Notes to Consolidated Financial Statements

December 31, 2019 and 2018

7. NET ASSETS WITH DONOR RESTRICTIONS

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

	December 31, 2017 (Reviewed)	Contributions and Investment Income	Released From Restriction	December 31, 2018 (Audited)
Camp	\$ 5,126	\$ 88,413	\$ 93,539	\$ -
Church community initiatives	3,182	15,994	5,394	13,782
Communities of holistic impact	8,255	53,305	50,936	10,624
Community development	56,771	130,219	110,541	76,449
Discipleship formation	25,887	2,391	13,636	14,642
Health care	7,438	-	-	7,438
Leadership development	3,844	25,386	25,938	3,292
Microeconomics	1,580	-	-	1,580
North American teams program	28,082	157,894	175,827	10,149
Pastor support	16,402	36,375	35,116	17,661
Staff support	10,000	56,308	51,876	14,432
Training	14,081	5,127	5,804	13,404
	<u>\$ 180,648</u>	<u>\$ 571,412</u>	<u>\$ 568,607</u>	<u>\$ 183,453</u>

	December 31, 2018 (Audited)	Contributions and Investment Income	Released From Restriction	December 31, 2019
Camp	\$ -	\$ 18,525	\$ 14,463	\$ 4,062
Church community initiatives	13,782	24,572	23,454	14,900
Communities of holistic impact	10,624	74,880	51,535	33,969
Community development	76,449	90,435	124,118	42,766
Discipleship formation	14,642	8,230	13,307	9,565
Health care	7,438	-	-	7,438
Leadership development	3,292	10,450	8,365	5,377
Microeconomics	1,580	-	-	1,580
North American teams program	10,149	194,368	187,938	16,579
Pastor support	17,661	27,009	33,309	11,361
Staff support	14,432	51,079	56,819	8,692
Training	13,404	-	10,707	2,697
	<u>\$ 183,453</u>	<u>\$ 499,548</u>	<u>\$ 524,015</u>	<u>\$ 158,986</u>

HEART TO HONDURAS, INC.

Notes to Consolidated Financial Statements

December 31, 2019 and 2018

8. CONCENTRATION

For the years ended December 31, 2019 and 2018, the top five donors provided approximately 23 and 31 percent of total contributions, respectively.

9. SUBSEQUENT EVENTS

Management has evaluated for potential recognition or disclosure in these financial statements subsequent events and transactions occurring through July 7 2020, the date these financial statements were available to be issued.

The spread of the COVID-19 coronavirus and the resultant governmental imposition and extension of orders to stay at home and to cease all but essential services has cast a degree of uncertainty over general economic conditions. This disruption is expected to be temporary and management applied for and received \$55,000 in governmental financial assistance from the federal Paycheck Protection Program in an effort to bolster cash flow as well as to continue to provide ongoing compensation to HTH's employees. While the long-term effects of this shut-down could negatively affect HTH's financial position, cash flows and results of activities, any such effects cannot be reasonably estimated at this time.

SUPPLEMENTARY DATA

HEART TO HONDURAS, INC.

Consolidating Statements of Financial Position

December 31,

	2019				2018 (Audited)			
	Heart To	Corazon' Para	Eliminations	Total	Heart To	Corazon' Para	Eliminations	Total
	Honduras	Honduras			Honduras	Honduras		
ASSETS								
Cash and cash equivalents	\$ 28,802	\$ 153,697	\$ -	\$ 182,499	\$ 62,726	\$ 115,804	\$ -	\$ 178,530
Contribution receivable	-	-	-	-	2,500	-	-	2,500
Prepaid expenses	1,696	-	-	1,696	10,638	-	-	10,638
Employee receivables	-	-	-	-	-	509	-	509
Inventory	-	3,403	-	3,403	-	394	-	394
Property held for sale	-	-	-	-	-	18,236	-	18,236
Property and equipment, net	208,186	1,551,963	-	1,760,149	218,386	1,553,472	-	1,771,858
Total Assets	\$ 238,684	\$ 1,709,063	\$ -	\$ 1,947,747	\$ 294,250	\$ 1,688,415	\$ -	\$ 1,982,665
LIABILITIES AND NET ASSETS								
Liabilities								
Accounts payable	\$ -	\$ 1,733	\$ -	\$ 1,733	\$ 450	\$ 755	\$ -	\$ 1,205
Accrued payroll and taxes	-	11,477	-	11,477	-	13,162	-	13,162
Deferred revenue	-	21,239	-	21,239	-	23,576	-	23,576
Line of credit	30,500	-	-	30,500	33,500	-	-	33,500
Accrued severance pay	-	74,747	-	74,747	-	41,309	-	41,309
Total Liabilities	30,500	109,196	-	139,696	33,950	78,802	-	112,752
Net Assets								
Without donor restrictions								
Undesignated	(83,565)	(27,519)	-	(111,084)	(64,832)	(20,566)	-	(85,398)
Net investment in property and equipment	208,186	1,551,963	-	1,760,149	218,386	1,553,472	-	1,771,858
	124,621	1,524,444	-	1,649,065	153,554	1,532,906	-	1,686,460
With donor restrictions	83,563	75,423	-	158,986	106,746	76,707	-	183,453
Total Net Assets	208,184	1,599,867	-	1,808,051	260,300	1,609,613	-	1,869,913
Total Liabilities and Net Assets	\$ 238,684	\$ 1,709,063	\$ -	\$ 1,947,747	\$ 294,250	\$ 1,688,415	\$ -	\$ 1,982,665

See accompanying notes and independent accountants' review report

HEART TO HONDURAS, INC.

Consolidating Statement of Activities

For the Year Ended December 31, 2019

	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	\$ 314,941	\$ 442,796	\$ 757,737	\$ 68,733	\$ 56,752	\$ 125,485	\$ -	\$ 883,222
Grants from Heart To Honduras	-	-	-	207,153	154,686	361,839	(361,839)	-
Gifts-in-kind	82,950	-	82,950	-	-	-	-	82,950
Investment income	-	-	-	2,861	-	2,861	-	2,861
Merchandise sales, net of cost of goods sold of \$1,035	-	-	-	1,526	-	1,526	-	1,526
Camp revenue	-	-	-	145,605	-	145,605	-	145,605
Loss on disposal of property and equipment	-	-	-	(12,494)	-	(12,494)	-	(12,494)
Other revenue	18,100	-	18,100	-	-	-	-	18,100
Total Support and Revenue	415,991	442,796	858,787	413,384	211,438	624,822	(361,839)	1,121,770
RECLASSIFICATIONS								
Net assets released for:								
Administration cost assessment	18,874	(18,874)	-	-	-	-	-	-
Satisfaction of purpose restrictions	447,105	(447,105)	-	212,722	(212,722)	-	-	-
Total Reclassifications	465,979	(465,979)	-	212,722	(212,722)	-	-	-
Total Support, Revenue and Reclassifications	881,970	(23,183)	858,787	626,106	(1,284)	624,822	(361,839)	1,121,770
EXPENSES								
Program services	701,249	-	701,249	562,435	-	562,435	(361,839)	901,845
Management and general	164,120	-	164,120	60,812	-	60,812	-	224,932
Fund-raising	45,534	-	45,534	11,966	-	11,966	-	57,500
Total Expenses	910,903	-	910,903	635,213	-	635,213	(361,839)	1,184,277
Change in Net Assets before Currency Exchange	(28,933)	(23,183)	(52,116)	(9,107)	(1,284)	(10,391)	-	(62,507)
Currency exchange	-	-	-	645	-	645	-	645
Change in Net Assets after Currency Exchange	(28,933)	(23,183)	(52,116)	(8,462)	(1,284)	(9,746)	-	(61,862)
Net Assets, Beginning of Year	153,554	106,746	260,300	1,532,906	76,707	1,609,613	-	1,869,913
Net Assets, End of Year	\$ 124,621	\$ 83,563	\$ 208,184	\$ 1,524,444	\$ 75,423	\$ 1,599,867	\$ -	\$ 1,808,051

See accompanying notes and independent accountants' review report

HEART TO HONDURAS, INC.

Consolidating Statement of Activities

For the Year Ended December 31, 2018
(Audited)

	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	\$ 38,882	\$ 45,228	\$ 84,110	\$ -	\$ 915,788
Grants from Heart To Honduras	-	-	-	204,851	219,087	423,938	(423,938)	-
Gifts-in-kind	41,762	-	41,762	3,133	-	3,133	-	44,895
Investment (loss) income	(211)	-	(211)	2,362	-	2,362	-	2,151
Merchandise sales, net of cost of goods sold of \$1,064	-	-	-	881	-	881	-	881
Camp revenue	-	-	-	113,816	-	113,816	-	113,816
Loss on disposal of property and equipment	-	-	-	(1,220)	-	(1,220)	-	(1,220)
Other revenue	15,900	-	15,900	-	-	-	-	15,900
Total Support and Revenue	362,945	526,184	889,129	362,705	264,315	627,020	(423,938)	1,092,211
RECLASSIFICATIONS								
Net assets released for:								
Administration cost assessment	21,782	(21,782)	-	-	-	-	-	-
Satisfaction of purpose restrictions	500,108	(500,108)	-	265,804	(265,804)	-	-	-
Total Reclassifications	521,890	(521,890)	-	265,804	(265,804)	-	-	-
Total Support, Revenue and Reclassifications	884,835	4,294	889,129	628,509	(1,489)	627,020	(423,938)	1,092,211
EXPENSES								
Program services	745,253	-	745,253	525,483	-	525,483	(423,938)	846,798
Management and general	151,675	-	151,675	63,045	-	63,045	-	214,720
Fund-raising	45,378	-	45,378	14,676	-	14,676	-	60,054
Total Expenses	942,306	-	942,306	603,204	-	603,204	(423,938)	1,121,572
Change in Net Assets before Currency Exchange	(57,471)	4,294	(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	(57,471)	4,294	(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	\$ 153,554	\$ 106,746	\$ 260,300	\$ 1,532,906	\$ 76,707	\$ 1,609,613	\$ -	\$ 1,869,913

See accompanying notes and independent accountants' review report

HEART TO HONDURAS, INC.

Consolidating Statement of Functional Expenses

For the Year Ended December 31, 2019

	Heart to Honduras				Corazon' Para Honduras				Eliminations	Total Expenses
	Program Services	Management and General	Fund-Raising	Total Expenses	Program Services	Management and General	Fund-Raising	Total Expenses		
Payments made to or on behalf of										
Corazon Para Honduras	\$ 387,059	\$ -	\$ -	\$ 387,059	\$ -	\$ -	\$ -	\$ -	\$ (361,839)	\$ 25,220
Salaries and wages	177,450	65,800	25,750	269,000	117,607	29,815	7,112	154,534	-	423,534
Retirement plan contributions	21,600	6,840	5,160	33,600	-	-	-	-	-	33,600
Other employee benefits	4,499	2,652	1,812	8,963	29,432	8,898	2,122	40,452	-	49,415
Payroll taxes	7,750	4,569	3,123	15,442	-	-	-	-	-	15,442
Professional services - legal	-	4,000	-	4,000	-	4,288	-	4,288	-	8,288
Professional services - accounting	-	18,949	-	18,949	-	87	-	87	-	19,036
Advertising and promotion	4,520	25	1,212	5,757	325	325	-	650	-	6,407
Office expenses	4,382	13,228	2,146	19,756	10,508	7,825	758	19,091	-	38,847
Information technology	2,281	1,346	919	4,546	1,337	404	96	1,837	-	6,383
Occupancy	-	34,118	-	34,118	27,975	-	-	27,975	-	62,093
Travel	9,735	5,754	4,563	20,052	27,722	8,059	1,878	37,659	-	57,711
Conferences, conventions and meetings	813	1,219	-	2,032	-	-	-	-	-	2,032
Interest	-	1,827	-	1,827	-	-	-	-	-	1,827
Depreciation	7,650	2,550	-	10,200	35,913	1,111	-	37,024	-	47,224
Insurance	2,110	1,243	849	4,202	-	-	-	-	-	4,202
Direct program expenses	71,400	-	-	71,400	311,616	-	-	311,616	-	383,016
Total Expenses	\$ 701,249	\$ 164,120	\$ 45,534	\$ 910,903	\$ 562,435	\$ 60,812	\$ 11,966	\$ 635,213	\$ (361,839)	\$ 1,184,277

See accompanying notes and independent accountants' review report

HEART TO HONDURAS, INC.

Consolidating Statement of Functional Expenses

For the Year Ended December 31, 2018
(Audited)

	Heart to Honduras			Corazon' Para Honduras				Eliminations	Total Expenses	
	Program Services	Management and General	Fund-Raising	Total Expenses	Program Services	Management and General	Fund-Raising			Total Expenses
Payments made to or on behalf of										
Corazon Para Honduras	\$ 423,938	\$ -	\$ -	\$ 423,938	\$ -	\$ -	\$ -	\$ -	\$ (423,938)	\$ -
Salaries and wages	174,795	64,216	24,597	263,608	108,921	42,473	11,259	162,653	-	426,261
Retirement plan contributions	21,600	6,840	5,160	33,600	-	-	-	-	-	33,600
Other employee benefits	99	59	39	197	4,332	1,689	448	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	8,635	7,967	892	17,494	-	35,235
Information technology	2,240	1,321	872	4,433	822	320	85	1,227	-	5,660
Occupancy	-	38,503	-	38,503	18,922	-	-	18,922	-	57,425
Travel	11,488	6,794	5,524	23,806	20,426	7,642	1,992	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	\$ 745,253	\$ 151,675	\$ 45,378	\$ 942,306	\$ 525,483	\$ 63,045	\$ 14,676	\$ 603,204	\$ (423,938)	\$ 1,121,572

See accompanying notes and independent accountants' review report