

**HEARTLINE MINISTRIES**

**FINANCIAL STATEMENTS**  
**December 31, 2013**

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**HEARTLINE MINISTRIES**  
**STATEMENT OF FINANCIAL POSITION**  
**December 31, 2013**

**ASSETS**

	<u><b>2013</b></u>
<b>CURRENT ASSETS</b>	
Cash and cash equivalents	\$ 450,331
Other receivable	60,044
Inventory	11,181
Prepaid rent	<u>30,758</u>
Total current assets	552,314
<b>PROPERTY AND EQUIPMENT</b>	
Land	469,800
Buildings	305,354
Vehicles	226,250
Equipment	140,377
Accumulated depreciation and amortization	<u>(308,283)</u>
Total property and equipment, net	833,498
<b>TOTAL ASSETS</b>	<u><b>\$ 1,385,812</b></u>

**LIABILITIES AND NET ASSETS**

<b>CURRENT LIABILITIES</b>	
Accounts payable	\$ 3,005
Payroll & sales taxes payable	1,066
Women's program savings	<u>2,985</u>
Total liabilities	7,055
<b>NET ASSETS</b>	
Unrestricted	
Board designated	146,613
Undesignated	<u>985,134</u>
Total unrestricted net assets	1,131,748
Temporarily restricted	<u>247,009</u>
Total net assets	<u>1,378,757</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><b>\$ 1,385,812</b></u>

See accompanying notes

**HEARTLINE MINISTRIES**  
**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS**  
**Year Ended December 31, 2013**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total 2013</u>
<b>PUBLIC SUPPORT AND REVENUES</b>			
Contributions	\$ 414,508	\$ 369,571	\$ 784,079
Guest house rental income	185,851	-	185,851
Women's program sales	174,897	-	174,897
Interest, dividends and investment gain/loss	<u>291</u>	<u>-</u>	<u>291</u>
 Total support and revenue before net assets released from restrictions	 775,547	 369,571	 1,145,119
 Net assets released from restrictions	 <u>404,632</u>	 <u>(404,632)</u>	 <u>-</u>
 Total public support and revenues	 1,180,179	 (35,061)	 1,145,119
<b>FUNCTIONAL EXPENSES</b>			
Program services:			
Guest House	170,901	-	170,901
Poverty programs	504,114	-	504,114
Women's program	<u>526,779</u>	<u>-</u>	<u>526,779</u>
Total program services	1,201,795	-	1,201,795
 General and administrative	 44,084	 -	 44,084
Fundraising	<u>10,049</u>	<u>-</u>	<u>10,049</u>
 Total expenses	 <u>1,255,928</u>	 <u>-</u>	 <u>1,255,928</u>
 Change in net assets	 (75,748)	 (35,061)	 (110,809)
 <b>NET ASSETS, BEGINNING OF YEAR</b>	 <u>1,207,496</u>	 <u>282,070</u>	 <u>1,489,566</u>
 <b>NET ASSETS, END OF YEAR</b>	 <u>\$ 1,131,748</u>	 <u>\$ 247,009</u>	 <u>\$ 1,378,757</u>

See accompanying notes

**HEARTLINE MINISTRIES**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
Year Ended December 31, 2013

	<u>Program Services</u>				<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
	<u>Women's Program</u>	<u>Guest House</u>	<u>Poverty Programs</u>	<u>Total Program Services</u>			
Compensation	\$ 110,327	\$ 21,171	\$ 73,494	\$ 204,991	\$ 27,189	\$ -	\$ 232,180
Compensation - Haitian wages	126,508	28,606	107,941	263,055	-	-	263,055
Automobile expense	3,540	4,623	3,376	11,539	-	-	11,539
Bank service charges	-	-	-	-	14,815	-	14,815
Beading, sewing and general supplies	67,238	11,306	64,350	142,894	-	375	143,269
Depreciation and amortization	22,932	17,632	24,634	65,198	-	-	65,198
Donations to other not-for-profit organizations	-	-	829	829	-	-	829
Education and related materials	3,452	300	25,658	29,410	-	-	29,410
Food	32,460	36,735	12,643	81,839	-	-	81,839
Freight and delivery	11,773	-	670	12,442	-	-	12,442
Fuel, diesel and propane	3,895	9,387	6,581	19,863	-	627	20,490
Individual poverty assistance	5,085	-	47,735	52,821	-	-	52,821
Marketing	8,909	-	-	8,909	-	100	9,009
Medical exams	1,796	-	547	2,343	-	-	2,343
Medicine	4,922	-	248	5,170	-	-	5,170
Miscellaneous	1,677	1,444	2,487	5,608	-	3,372	8,980
Office supplies	2,104	2,975	2,585	7,664	-	5,075	12,738
Payments to women for Haitian Creations products	73,037	-	1,676	74,713	-	-	74,713
Payroll taxes and benefits	15,808	4,794	37,718	58,320	2,080	-	60,400
Professional fees	629	-	7,286	7,916	-	-	7,916
Rent	9,000	21,092	18,414	48,506	-	-	48,506
Repairs and maintenance	5,219	4,722	37,492	47,433	-	-	47,433
Telephone	1,222	1,079	1,946	4,247	-	-	4,247
Travel	6,176	3,434	5,487	15,097	-	501	15,598
Utilities	9,071	1,603	20,315	30,989	-	-	30,989
<b>TOTAL FUNCTIONAL EXPENSES</b>	<b>\$ 526,779</b>	<b>\$ 170,901</b>	<b>\$ 504,114</b>	<b>\$ 1,201,795</b>	<b>\$ 44,084</b>	<b>\$ 10,049</b>	<b>\$ 1,255,928</b>

See accompanying notes

**HEARTLINE MINISTRIES**  
**STATEMENT OF CASH FLOWS**  
**Year Ended December 31, 2013**

	<u><b>2013</b></u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Change in net assets	\$ (110,809)
Adjustments to reconcile change in net assets to net cash used in operating activities	
Depreciation and amortization	65,198
Change in cash resulting from changes in:	
Inventory	(7,673)
Prepaid rent	5,464
Accounts payable	(2,497)
Payroll and sales taxes payable	(555)
Women's program savings	<u>(9,991)</u>
Net cash used in operating activities	<u>(60,864)</u>
<b>CASH FLOWS USED IN INVESTING ACTIVITIES</b>	
Purchases of property and equipment	<u>(48,455)</u>
Net cash used in investing activities	<u>(48,455)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
Proceeds from note receivable	<u>8,000</u>
Net cash provided by financing activities	<u>8,000</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(101,319)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>551,650</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 450,331</u>
<b>Supplementary disclosure of cash flow information:</b>	
Non cash transfer of property deposit to other receivable	62,044

See accompanying notes

**HEARTLINE MINISTRIES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2013**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization and Operations**

Heartline Ministries (Heartline) is a not-for-profit corporation formed in Washington State, to facilitate programs to help the people and children of Haiti overcome poverty. All of Heartline's programs are based in Port-au-Prince, Haiti.

Women's program

The women's program was established to provide a place for women to learn valuable life skills and eventually support their families. The maternity center provides education and delivery assistance to Haitian women that do not have access to medical care. The program also includes faith-based classes for prenatal, early childhood development, literacy, cooking, sewing and craft work. Graduates of the sewing and beading classes are given the opportunity to produce products that are sold through the "Haitian Creations" online store in the United States.

Guest house program

The guest house program provides safe housing for visitors assisting with the organization's programs and for visitors that are in Haiti to further the organization's purpose.

Poverty programs

The poverty program includes all Heartline's efforts to combat poverty in Haiti. It includes direct individual assistance for health and education expenses, assistance with adoption issues, men's discipleship and business training, and assisting short-term medical, religious and construction trips by volunteers.

**Basis of Presentation**

Heartline prepares its financial statements in accordance with the American Institute of Certified Public Accountants *Audit and Accounting Guide for Not-For-Profit Organizations* (Audit Guide). Under the Audit Guide, Heartline is required to report information regarding the financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets as follows:

Unrestricted Net Assets

Unrestricted net assets are those currently available at the discretion of the Board for use in Heartline's operations, in accordance with its bylaws.

Temporarily Restricted Net Assets

Temporarily restricted net assets are those which are subject to donor-imposed stipulations that may or will be met by the actions of Heartline and/or the passage of time.

**HEARTLINE MINISTRIES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2013**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Permanently Restricted Net Assets

Permanently restricted net assets are those which represent permanent endowments where it is stipulated by donors that the principal remain in perpetuity and only the income is available as unrestricted or temporarily restricted, as per the endowment agreements. At December 31, 2013, Heartline had no permanently restricted net assets.

Heartline accounts for contributions and grants in accordance with the Audit Guide and they are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. All 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 (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities and change in net assets as net assets released from restrictions. However, if a restriction is fulfilled in the same time period in which the contribution is received, Heartline reports the support as unrestricted.

**Use of Estimates in the Preparation of Financial Statements**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make a number of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Cash and Cash Equivalents**

Heartline considers all investment instruments with a maturity of three months or less when purchased to be cash equivalents.

**Inventory**

Inventory consists of crafts and souvenirs sold at the guesthouse locations and are stated at cost.

**Pledges and Grants Receivable**

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded 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 received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met. There were no pledges or grants receivable at December 31, 2013. Monthly pledges from donors are considered to be intentions to give, rather than promises to give. Those contributions are recorded when received.



**HEARTLINE MINISTRIES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2013**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Investments**

Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statement of financial position. Investment income (including interest and dividends) and realized and unrealized gains and losses are reported in the statements of activities and change in net assets under support and revenue.

**Property and Equipment**

Purchased property and equipment are initially recorded at cost, and donated property and equipment are recorded at fair value at the date of gift to Heartline. Such donations are reported as unrestricted support unless the donor has restricted the donated assets to a specific purpose. Maintenance and repairs are charged to operations when incurred. Betterments and renewals in excess of \$1,000 are capitalized. When property and equipment is sold or otherwise disposed of, the asset and related accumulated depreciation and amortization accounts are relieved, and any gain or loss is included in operations. Depreciation and amortization is provided using the straight-line method over the respective useful lives of the assets, which range from 3 to 40 years. Leasehold improvements are amortized over the shorter of the useful lives of the improvements or the lease terms. Depreciation and amortization expense charged to operations was \$65,198 in 2013.

**Impairment of Long-Lived Assets**

Heartline reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. Management does not believe impairment indicators are present at December 31, 2013.

**Women's program savings**

Heartline pays women in the sewing and beading program for products they create to be sold through its Haitian Creations program. Most Haitian people do not utilize banks in Haiti and therefore, Heartline does allow the women to leave some of their earnings in savings accounts. The funds are available at any time for the women and do not bear any interest.

**Individual poverty assistance**

As part of its poverty program, Heartline facilitates specific assistance to individuals who are dealing with issues created by their poverty conditions (such as inability to pay for a child's education, rent for a home or food for a family).

**HEARTLINE MINISTRIES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2013**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Donated Materials and Services**

Donated professional services and materials are recorded at their estimated fair values if they enhance Heartline's non financial assets or require specialized skills that Heartline would normally have to purchase if not provided by donation. No amounts have been reflected in the financial statements for certain donated volunteer services because they did not qualify for recording under the guidelines of authoritative accounting literature; however a substantial number of volunteers have donated significant amounts of their time in Heartline's program services.

Almost all of the general and administrative expenses related to record keeping and accounting are provided by a U.S. volunteer. The executive director primarily works directly with the people in the various programs.

**Revenue recognition**

Guest home rental income and women's program sales are recognized as revenue when earned.

**Allocation of Functional Expenses**

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities and change in net assets and functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The allocation methods used have been developed based upon management's estimates.

**Income Taxes**

Heartline is a not-for-profit charitable organization and qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and, accordingly, no provision for federal or state corporate income taxes has been made in the accompanying financial statements. Heartline qualifies for the charitable contribution deduction under Section 70 of the Internal Revenue Code and has been classified as an organization that is not a private foundation under section 509(a).

The federal corporate informational tax returns of Heartline are subject to examination by the Internal Revenue Service, generally for three years after they are filed.

**NOTE 2 – LEASE COMMITMENTS**

Heartline leases four residences for use as housing for missionary staff and program services and one residence for use as a guest house. The rental agreements are annual and require monthly or annual rent payments. Rent expense was \$48,506 for the year ended December 31, 2013.

**HEARTLINE MINISTRIES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2013**

**NOTE 3 – CASH AND CASH EQUIVALENTS**

Cash and cash equivalents consist of the following at December 31, 2013:

General fund	\$ 56,709
Maternity center building fund	247,009
Missionary support – board designated	<u>146,613</u>
Total cash and cash equivalents	<u>\$ 450,331</u>

**NOTE 4 – RESTRICTED NET ASSETS**

Temporarily restricted net assets consist of contributions that are restricted for building a maternity center. Net assets released from restrictions includes contributions restricted to specific women’s programs and building funds that were used for their restricted purpose during the year.

**NOTE 5 - CONCENTRATION OF CREDIT RISK**

Financial instruments that potentially subject Heartline to concentration of credit risk consist principally of cash and cash equivalents. Cash is placed with high quality financial institutions; however, at times these cash balances exceed the FDIC insurance limit.

**NOTE 6 – SUBSEQUENT EVENTS**

Management evaluated subsequent events through August 19, 2014. Events or transactions occurring after December 31, 2013, but prior to August 19, 2014, that provided additional evidence about conditions that existed at December 31, 2013, have been recognized in the financial statements for the year ended December 31, 2013. Events or transactions that provided evidence about conditions that did not exist at December 31, 2013, but arose before the financial statements were available to be issued have not been recognized in the financial statements for the year ended December 31, 2013.