

**HEARTLINE MINISTRIES**

**FINANCIAL STATEMENTS**  
**December 31, 2019**

## TABLE OF CONTENTS

FINANCIAL STATEMENTS	PAGE
Statement of Financial Position .....	1
Statement of Activities and Change in Net Assets.....	2
Statement of Functional Expenses .....	3
Statement of Cash Flows .....	4
Notes to Financial Statements.....	5-10

**HEARTLINE MINISTRIES**  
**STATEMENT OF FINANCIAL POSITION**  
**December 31, 2019**

**ASSETS**

	<u><b>2019</b></u>
<b>CURRENT ASSETS</b>	
Cash and cash equivalents	\$ 1,015,034
Haitian employee receivables	7,829
Other receivable	<u>5,570</u>
Total current assets	1,028,433
<b>PROPERTY AND EQUIPMENT</b>	
Land	469,800
Buildings	629,732
Vehicles	159,850
Equipment	152,904
Accumulated depreciation and amortization	<u>(358,076)</u>
Total property and equipment, net	1,054,210
<b>OTHER ASSETS</b>	
Loans receivable	12,476
<b>TOTAL ASSETS</b>	<u><u>\$ 2,095,119</u></u>

**LIABILITIES AND NET ASSETS**

<b>LIABILITIES</b>	
Credit card liabilities	12,196
Payroll taxes payable	<u>405</u>
Total liabilities	12,601
<b>NET ASSETS</b>	
Without donor restrictions	
Board designated	55,808
Undesignated	<u>1,798,961</u>
Total net assets without donor restrictions	1,854,769
Total net assets with donor restrictions	<u>227,749</u>
Total net assets	<u>2,082,518</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 2,095,119</u></u>

See accompanying notes

**HEARTLINE MINISTRIES**  
**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS**  
Year Ended December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains, and other support:			
Contributions and grants	\$ 783,570	\$ 269,331	\$ 1,052,901
Bakery program sales, net of costs	21,428	-	21,428
Education center tuition and fees	37,973	-	37,973
Maternity center fees	2,525	-	2,525
Miscellaneous program fees	1,785	-	1,785
Gain on sale of assets	14,372	-	14,372
Interest, dividends and investment gain/loss	937	-	937
Rent	<u>2,000</u>	<u>-</u>	<u>2,000</u>
Total support and revenue before net assets released from restrictions	864,590	269,331	1,133,921
Net assets released from restrictions:			
Satisfaction of purpose restrictions	<u>363,576</u>	<u>(363,576)</u>	<u>-</u>
Total public support and revenues	1,228,166	(94,245)	1,133,921
Expenses and losses:			
Maternity center program	376,049	-	376,049
Poverty programs	224,503	-	224,503
Education center programs	113,638	-	113,638
Discipleship and outreach programs	<u>71,465</u>	<u>-</u>	<u>71,465</u>
Total program services	785,655	-	785,655
Management and general	243,293	-	243,293
Fundraising	<u>93,902</u>	<u>-</u>	<u>93,902</u>
Total supporting activities	337,195		337,195
Total expenses	<u>1,122,850</u>	<u>-</u>	<u>1,122,850</u>
Change in net assets	105,316	(94,245)	11,071
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>1,749,453</u>	<u>321,994</u>	<u>2,071,447</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 1,854,769</u>	<u>\$ 227,749</u>	<u>\$ 2,082,518</u>

See accompanying notes

**HEARTLINE MINISTRIES**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
Year Ended December 31, 2019

	Program Services				Supporting Activities			Total Expenses	
	Maternity Center Program	Poverty Programs	Education Center Programs	Discipleship & Outreach Programs	Total Program Services	Management and General	Fundraising		Total Supporting Activities
Compensation	\$ 123,193	\$ 18,274	\$ 15,503	\$ 18,407	\$ 175,377	\$ 144,578	\$ 17,401	\$ 161,979	\$ 337,356
Compensation - Haitian wages	64,962	42,640	46,012	19,165	172,779	-	-	-	172,779
Automobile expense	5,463	1,538	863	758	8,622	4,800	-	4,800	13,422
Bad debt	-	-	-	-	-	3,463	-	3,463	3,463
Bank processing and service charges	-	-	-	-	-	19,793	-	19,793	19,793
Bakery and general supplies	16,723	7,912	5,740	10,610	40,985	69	216	285	41,270
Contract labor	871	6,523	179	147	7,720	35,352	48,367	83,719	91,439
Depreciation	24,145	2,634	1,554	1,274	29,607	-	-	-	29,607
Donations to other not-for-profit organizations	-	-	-	5,100	5,100	-	-	-	5,100
Dues and subscriptions	3	1	1	-	5	2,202	4,218	6,420	6,425
Education assistance and materials	5,428	43,772	13,500	399	63,099	321	788	1,109	64,208
Food	4,949	5,088	909	720	11,666	229	632	861	12,527
Freight and delivery	1,716	438	127	152	2,433	-	1,029	1,029	3,462
Fuel, diesel and propane	3,127	9,128	2,705	343	15,303	-	-	-	15,303
Individual poverty assistance	-	54,154	-	-	54,154	-	-	-	54,154
Insurance	-	-	-	-	-	2,578	-	2,578	2,578
Marketing	230	121	263	-	614	-	17,453	17,453	18,067
Medical exams	7,782	-	-	-	7,782	-	-	-	7,782
Medicine	4,776	-	-	-	4,776	-	-	-	4,776
Miscellaneous	1,868	1,968	1,539	483	5,858	1,518	-	1,518	7,376
Office supplies	4,564	1,151	746	713	7,174	1,190	190	1,380	8,554
Payroll taxes and benefits	13,386	3,178	3,803	2,627	22,994	19,634	2,408	22,042	45,036
Professional fees	13,935	9,741	1,764	1,447	26,887	25	-	25	26,912
Repairs and maintenance	18,498	3,016	3,209	1,083	25,806	-	-	-	25,806
Security	44,257	9,347	12,807	4,523	70,934	-	-	-	70,934
Taxes and licenses	2,557	368	217	178	3,320	10	-	10	3,330
Telephone	658	253	197	108	1,216	780	-	780	1,996
Travel	7,784	2,273	999	2,751	13,807	6,751	1,200	7,951	21,758
Utilities	5,174	985	1,001	477	7,637	-	-	-	7,637
<b>TOTAL FUNCTIONAL EXPENSES</b>	<b>\$ 376,049</b>	<b>\$ 224,503</b>	<b>\$ 113,638</b>	<b>\$ 71,465</b>	<b>\$ 785,655</b>	<b>\$ 243,293</b>	<b>\$ 93,902</b>	<b>\$ 337,195</b>	<b>\$ 1,122,850</b>

See accompanying notes

**HEARTLINE MINISTRIES**  
**STATEMENT OF CASH FLOWS**  
**Year Ended December 31, 2019**

	<u><b>2019</b></u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Change in net assets	\$ 11,071
Adjustments to reconcile change in net assets to net cash used in operating activities	
Depreciation and amortization	29,607
Gain on sale of assets	(14,372)
Change in cash resulting from changes in:	
Haitian employee receivables	5,859
Other receivables	(1,804)
Accounts payable	12,196
Payroll taxes payable	<u>(1,222)</u>
Net cash provided by operating activities	<u>41,335</u>
<b>CASH FLOWS USED IN INVESTING ACTIVITIES</b>	
Proceeds from sale of property and equipment	19,283
Purchases of property and equipment	<u>(121,233)</u>
Net cash used in investing activities	<u>(101,950)</u>
<b>CASH FLOWS USED IN FINANCING ACTIVITIES</b>	
Loans made	(23,683)
Proceeds from loans	<u>18,952</u>
Net cash provided by financing activities	<u>(4,731)</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	(65,346)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>1,080,380</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 1,015,034</u>

See accompanying notes

**HEARTLINE MINISTRIES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2019**

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

**Organization and Operations**

Heartline Ministries (Heartline) is a not-for-profit corporation formed in Washington State. The mission of Heartline is to invest in Haitian families through a holistic approach that focuses on maternal care, education, economic development and Christian outreach. All Heartline programs are based in Port-au-Prince, Haiti.

Maternity center program

The maternity center was established to combat the dismal maternal health reality in Haiti through excellent medical care, health education, nutrition, and compassionate support that effectively reduces the high incidence of maternal and infant mortality and prevents children from becoming orphans.

Poverty programs

The poverty program includes all Heartline's efforts to combat poverty in Haiti. It includes direct individual and family assistance for health, education and living expenses and job creation activities.

Education center program

The education center teaches essential income generating skills – empowering Haitian men and women to pursue their dreams, provide for their families, and build a brighter future for their communities. Graduates primarily employ these skills to start small enterprises to meet the financial needs of their families.

Discipleship and Community Outreach programs

The discipleship & community outreach programs include a men's discipleship program and community outreach programs. These programs were created to minister to prisoners, orphanages, children with disabilities, children living in extreme material poverty and elderly Haitians. The programs outreach ministry includes sharing bread baked at the Heartline bakery, evangelism, worship, prayer and developing personal relationships to communicate love and dignity to each person. In addition, the program has established a savings program to assist participants in financial planning and budgeting.

**Basis of Presentation and Accounting Changes**

Heartline prepares its financial statements in accordance with the Not-for-Profit Entities topic of the FASB Accounting Standards Codification (FASB ASC 958). Under the FASB ASC 958, the statement of financial position includes two classes of net assets: net assets with donor restrictions and net assets without donor restrictions. In addition, the statement of activities reports the amount of the change in each of the two classes of net assets. The two classes of net assets are as follows:

Net assets with donor restrictions

Net assets with donor restrictions is the portion of net assets that are subject to donor-imposed restrictions. Donor restrictions are stipulations from donors that specify a use for a contributed asset that is more specific than broad limits resulting from the nature of Heartline's activities, the environment in which it operates, and the purposes

**HEARTLINE MINISTRIES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2019**

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

specified in its articles of incorporation and bylaws. Donor imposed restrictions on Heartline's use of the asset may be temporary or permanent.

Permanent restrictions impose limits that are permanent, for example, stipulating that resources be invested in perpetuity. Temporary restrictions may include stipulations that resources may be used on after a specified date, for a particular program or service or to acquire buildings and equipment.

Net assets without donor restrictions

Net assets without donor restrictions is the portion of the net assets that are not subject to donor-imposed restrictions.

Heartline accounts for contributions and grants as either increasing net assets with donor restrictions or increasing net assets without donor restrictions. When a donor-imposed restriction is satisfied or otherwise lapses, the net assets with donor restrictions are reclassified to net assets without donor restrictions 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 may report 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.

**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 contributions are accounted for as refundable advances until the conditions have been substantially met or explicitly waived by the donor. There were no pledges or grants receivable or conditional contributions at December 31, 2019. Monthly recurring contributions from donors are considered to be intentions to give. Those contributions are recorded when received.



**HEARTLINE MINISTRIES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2019**

**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 the gift to Heartline. Such donations are reported as net assets without donor restrictions 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 \$2,500 are capitalized. When property and equipment is sold or otherwise disposed of, the asset and related accumulated depreciation accounts are relieved, and any gain or loss is included in operations. Depreciation is provided using the straight-line method over the respective useful lives of the assets, which range from 3 to 40 years. Depreciation expense charged to operations was \$29,607 in 2019.

**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, 2019.

**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.

**HEARTLINE MINISTRIES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2019**

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

**Revenue Recognition**

Education center tuition and bakery sales are recognized as revenue when earned.

**Allocation of Expenses**

The costs of providing the various programs and other activities have been summarized by both their natural classification and their functional classification in the statement of functional expenses. Specific expenses that are readily identifiable to a single program or activity are charged directly to that function. Certain costs are attributable to more than one program or supporting function. These costs have been allocated among the programs and supporting services benefited. Compensation and contract labor have been allocated based on the responsibilities of each employee or contractor and the estimated amount of time spent on specific programs and activities. Allocation of certain costs incurred in Haiti, primarily Haitian wages, supplies, repairs, and other costs are allocated to programs based on the relative efforts spent on each program using management's knowledge of activities and other costs expended for each program.

**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 170 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.

**Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires us to make estimates and assumptions that affect the reported amounts of 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, and those differences could be material.

**NOTE 2 – CASH AND CASH EQUIVALENTS**

Cash and cash equivalents consist of the following at December 31, 2019:

General fund	\$ 731,477
Capital building funds	185,153
Maternity center operation fund	22,916
Maternity center specified expense fund	7,684
Missionary support – board designated	55,808
Student sponsorship fund	11,996
Total cash and cash equivalents	<u>\$1,015,034</u>

**HEARTLINE MINISTRIES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2019**

**NOTE 3 – RECEIVABLES**

Heartline regularly loans small amounts to its Haitian employees for living needs. In addition, Heartline grants credit to students of the education center for tuition. Tuition is collected during the time frame of the course being taught.

Loans receivable consist of amounts loaned to third party organizations providing housing and water availability in a residential area previously supported by Heartline's earthquake relief fund. Repayments will be made based on cash flow of the organizations.

Management believes no allowance for doubtful accounts is necessary.

**NOTE 4 –DESIGNATED NET ASSETS WITHOUT DONOR RESTRICTIONS**

Heartline's Board of Directors has designated assets of \$55,808 for future missionary support from net assets without donor restrictions. The board designates certain donations for future salaries and costs related to the critical program work performed by missionaries.

**NOTE 5 –NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions are restricted for the following purposes and periods:

Subject to expenditures for specified purpose:	
Future capital improvements	\$185,153
Poverty program: student education	11,996
Subject to spending policy and appropriation:	
Maternity center: maternity center operation	22,916
Maternity center: specified expenses	7,684
Total net assets with donor restrictions	<u>\$227,749</u>

Net assets of \$363,575 released from restrictions during the year ended December 31, 2019 by incurring expenses satisfying the restricted purpose were as follows:

Purpose restrictions accomplished:	
Capital purchases	\$ 48,730
Discipleship program operation	21,750
Poverty program: individual assistance	35,443
Poverty program: natural disaster assistance	500
Poverty program: student education	48,175
Maternity center: expansion costs	57,936
Maternity center operation	119,555
Education center program: specified purchases	10,239
Education center operation	<u>21,248</u>
Total assets released from restrictions	<u>\$363,576</u>

**HEARTLINE MINISTRIES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2019**

**NOTE 6 - 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 7 – LIQUIDITY AND AVAILABILITY OF RESOURCES**

The following reflects Heartline’s financial assets as of December 31, 2019, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial condition date.

Cash	\$731,477
Advances and receivables	<u>13,399</u>
Total	<u>\$744,876</u>

Advances and receivables are subject to implied time restrictions but are expected to be collected within one year. Heartline has a goal to maintain adequate cash on hand to meet at least 90 days of general operating expenses not provided by net assets with donor restrictions, which are, on average \$63,250 per month. In addition to the financial assets available to meet general expenditures, Heartline operates with a balanced budget and anticipates collecting sufficient revenue to cover such operating expenses.

Heartline receives a substantial amount of restricted contributions. Because a donor’s restriction requires resources to be used in a particular manner or in a future period, Heartline must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of Heartline’s liquidity management, it has a policy to structure financial assets to be available as its general expenditures, liabilities and other obligations become due. Management expects a significant portion of contributions with purpose restrictions received in the next year will have the purpose restriction met within the year. In addition, the education center tuition and bakery sales provide program revenue to pay program expenses. Historically, Heartline has also utilized board designated funds for missionary support for general operations when other financial assets are not available.

**NOTE 8 – SUBSEQUENT EVENTS**

Management evaluated subsequent events through June 8, 2020. Events or transactions occurring after December 31, 2019, but prior to June 8, 2020 that provided additional evidence about conditions that existed at December 31, 2019, have been recognized in the financial statements for the year ended December 31, 2019.