

HEARTLINE MINISTRIES

FINANCIAL STATEMENTS
December 31, 2020

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.....	5-11

HEARTLINE MINISTRIES
STATEMENT OF FINANCIAL POSITION
December 31, 2020

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 905,025
Haitian employee receivables	14,935
Other receivable	-

Total current assets 919,960

PROPERTY AND EQUIPMENT

Land	469,800
Buildings	931,164
Vehicles	172,350
Equipment	150,608
Accumulated depreciation and amortization	<u>(384,869)</u>

Total property and equipment, net 1,339,053

OTHER ASSETS

Loans receivable	<u>11,952</u>
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TOTAL ASSETS

\$ 2,270,965

LIABILITIES AND NET ASSETS

LIABILITIES

Credit card liabilities	7,619
Accounts payable and other liabilities	2,000
Payroll taxes payable	<u>608</u>

Total liabilities 10,227

NET ASSETS

Without donor restrictions	
Board designated	7,621
Undesignated	<u>2,087,634</u>

Total net assets without donor restrictions 2,095,255

Total net assets with donor restrictions 165,483

Total net assets 2,260,738

TOTAL LIABILITIES AND NET ASSETS

\$ 2,270,965

See accompanying notes

HEARTLINE MINISTRIES
STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
Year Ended December 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains, and other support:			
Contributions and grants	\$ 769,692	\$ 345,894	\$ 1,115,586
Bakery program sales, net of costs	5,008	-	5,008
Education center tuition and fees	29,991	-	29,991
Maternity center fees	2,579	-	2,579
Starting place fees	11,220	-	11,220
Interest, dividends and investment gain/loss	570	-	570
Rent, net	16,084	-	16,084
Total support and revenue before net assets released from restrictions	835,144	345,894	1,181,038
Net assets released from restrictions:			
Satisfaction of purpose restrictions	408,160	(408,160)	-
Total public support and revenues	1,243,304	(62,266)	1,181,038
Expenses and losses:			
Maternity center program	343,967	-	343,967
Poverty programs	181,455	-	181,455
Education center programs	108,966	-	108,966
Discipleship and outreach programs	45,832	-	45,832
Starting place programs	14,483	-	14,483
Total program services	694,703	-	694,703
Management and general	232,781	-	232,781
Fundraising	67,439	-	67,439
Total supporting activities	300,220	-	300,220
Loss on abandonment of assets	7,895	-	7,895
Total expenses and losses	1,002,818	-	1,002,818
Change in net assets	240,486	(62,266)	178,220
NET ASSETS, BEGINNING OF YEAR	1,854,769	227,749	2,082,518
NET ASSETS, END OF YEAR	\$ 2,095,255	\$ 165,483	\$ 2,260,738

See accompanying notes

HEARTLINE MINISTRIES
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2020

	Program Services						Supporting Activities			Total Expenses
	Maternity Center Program	Poverty Programs	Education Center Programs	Discipleship & Outreach Programs	Starting Place Programs	Total Program Services	Management and General	Fundraising	Total Supporting Activities	
Compensation	\$ 90,541	\$ 5,559	\$ 5,751	\$ 5,919	\$ 6,001	\$ 113,771	\$ 142,147	\$ 7,550	\$ 149,697	\$ 263,468
Compensation - Haitian wages	90,991	26,594	45,834	14,324	856	178,599	-	-	-	178,599
Automobile expense	7,217	2,302	1,382	581	184	11,666	-	-	-	11,666
Bank processing and service charges	-	-	-	-	-	-	17,952	-	-	17,952
Bakery and general supplies	17,914	7,312	4,117	524	651	30,518	13,253	142	13,395	43,913
Contract labor	-	3,925	-	-	-	3,925	15,204	38,770	53,974	57,899
Depreciation	27,619	4,162	2,500	1,051	332	35,664	-	-	-	35,664
Dues and subscriptions	-	-	-	-	27	27	1,450	5,198	6,648	6,675
Education and materials	7,771	55,547	12,751	12,520	1,052	89,641	29	202	231	89,872
Food	4,296	5,831	1,340	564	514	12,545	190	487	677	13,222
Freight and delivery	1,945	1,105	568	252	118	3,988	-	4,344	4,344	8,332
Fuel, diesel and propane	2,995	2,380	3,190	183	58	8,806	-	-	-	8,806
Individual poverty assistance	620	41,351	153	65	20	42,209	-	-	-	42,209
Insurance	-	-	-	-	-	-	2,617	-	2,617	2,617
Marketing	-	80	-	-	469	549	-	8,916	8,916	9,465
Medical exams	10,569	-	-	-	-	10,569	-	-	-	10,569
Medicine	4,515	-	-	9	-	4,524	-	-	-	4,524
Miscellaneous	553	338	396	172	28	1,487	242	-	242	1,729
Office supplies	3,782	572	343	144	46	4,887	2,391	387	2,778	7,665
Payroll taxes and benefits	12,325	1,919	3,728	1,506	61	19,539	26,798	822	27,620	47,159
Professional fees	7,150	6,648	3,169	2,100	745	19,812	2,103	-	2,103	21,915
Repairs and maintenance	7,401	3,336	2,447	512	162	13,858	-	-	-	13,858
Security	33,975	9,513	19,149	2,403	759	65,799	-	-	-	65,799
Taxes and licenses	2,507	1,323	794	334	106	5,064	100	-	100	5,164
Telephone	524	235	197	57	18	1,031	264	-	264	1,295
Travel	4,731	465	383	2,370	2,200	10,149	8,041	621	8,662	18,811
Utilities	4,026	958	774	242	76	6,076	-	-	-	6,076
TOTAL FUNCTIONAL EXPENSES	\$ 343,967	\$ 181,455	\$ 108,966	\$ 45,832	\$ 14,483	\$ 694,703	\$ 232,781	\$ 67,439	\$ 300,220	\$ 994,923

See accompanying notes

HEARTLINE MINISTRIES
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2020

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 families through a holistic approach that focuses on maternal care, education, economic development and Christian outreach. Heartline programs are based in Port-au-Prince, Haiti and in Temple, Texas.

Maternity center program

The maternity center, located in Port-Au-Prince, Haiti, 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 operates in Port-Au-Prince Haiti and 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 operated in Haiti. 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.

Starting place programs

In late 2020, the Organization purchased a building in Temple, Texas that will be used for the Starting Place Birth and Wellness Center. The center will offer midwifery care and support to growing families in the Bell County, Texas and surrounding areas. The organization has also developed the Starting Place Manual which is a step-by-step guide on how to build a maternal health program in low resource settings. The organization provides classes and training to other individuals and organizations that are interested in expanding maternal health to low resource areas.

HEARTLINE MINISTRIES
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation

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 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.

HEARTLINE MINISTRIES
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2020. Monthly recurring contributions from donors are considered to be intentions to give. Those contributions are recorded when received.

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 \$35,664 in 2020.

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, 2020.

HEARTLINE MINISTRIES
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2020

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.

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.

HEARTLINE MINISTRIES
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2020

NOTE 2 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following at December 31, 2020:

General fund	\$731,921
Capital building funds	154,138
Missionary support – board designated	7,621
Student sponsorship fund	<u>11,345</u>
Total cash and cash equivalents	<u>\$905,025</u>

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 \$7,621 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	\$154,138
Poverty program: student education	<u>11,345</u>
Total net assets with donor restrictions	<u>\$165,483</u>

HEARTLINE MINISTRIES
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2020

NOTE 5 –NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

Net assets of \$408,160 released from restrictions during the year ended December 31, 2020 by incurring expenses satisfying the restricted purpose were as follows:

Purpose restrictions accomplished:	
Capital purchases	\$ 86,015
Discipleship program operation	20,072
Poverty program: individual assistance	42,209
Poverty program: student education	56,834
Maternity center: expansion costs	22,916
Maternity center operation	99,753
Education center operation	17,778
Starting place operation and capital purchase	<u>62,583</u>
Total assets released from restrictions	<u>\$408,160</u>

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, 2020, 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	\$731,921
Advances and receivables	<u>14,935</u>
Total	<u>\$746,856</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 \$56,065 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 MINISTRIES
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2020

NOTE 7 – LIQUIDITY AND AVAILABILITY OF RESOURCES (CONTINUED)

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 August 31, 2021. Events or transactions occurring after December 31, 2020, but prior to August 31, 2021 that provided additional evidence about conditions that existed at December 31, 2020, have been recognized in the financial statements for the year ended December 31, 2020.