

HEARTLAND HOPE MISSION

FINANCIAL STATEMENTS

Years ended December 31, 2018 and 2017

Heartland Hope Mission

Table of contents

	Page
INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS	
Statements of Financial Position	2 - 3
Statements of Activities and Changes in Net Assets	4 - 5
Statements of Cash Flows	6
Statements of Functional Expenses	7 - 8
Notes to Financial Statements	9 - 15



VERDANT ACCOUNTING

INDEPENDENT AUDITOR'S REPORT

Heartland Hope Mission
Board of Directors

We have audited the accompanying financial statements of Heartland Hope Mission (a nonprofit organization), which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities and changes in net assets, cash flows, and functional expenses for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Heartland Hope Mission as of December 31, 2018 and 2017 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Verdant Accounting P.C.

La Vista, Nebraska
May 14, 2019

Heartland Hope Mission

Statement of Financial Position

December 31, 2018

	ASSETS		
	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
CURRENT ASSETS			
Cash	\$ 386,213	\$ -	\$ 386,213
Investments	2,560	-	2,560
Accounts receivable	1,805	-	1,805
Inventory	510,410	-	510,410
Employee advance	28	-	28
Prepaid expenses	13,756	-	13,756
Building rent	-	11,475	11,475
Total current assets	<u>914,772</u>	<u>11,475</u>	<u>926,247</u>
FIXED ASSETS			
Buildings	1,883,857	-	1,883,857
Vehicles	117,660	-	117,660
Furniture and equipment	236,343	-	236,343
Less accumulated depreciation	(472,436)	-	(472,436)
Total fixed assets	<u>1,765,424</u>	<u>-</u>	<u>1,765,424</u>
TOTAL ASSETS	<u><u>\$ 2,680,196</u></u>	<u><u>\$ 11,475</u></u>	<u><u>\$ 2,691,671</u></u>
LIABILITIES AND NET ASSETS			
	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
CURRENT LIABILITIES			
Accounts payable	\$ 92,071	\$ -	\$ 92,071
Credit card payable	3,325	-	3,325
Payroll liabilities	15,150	-	15,150
Sales tax payable	229	-	229
Current portion of long-term debt	13,710	-	13,710
Total current liabilities	<u>124,485</u>	<u>-</u>	<u>124,485</u>
LONG-TERM LIABILITIES			
Long-term debt	<u>122,806</u>	<u>-</u>	<u>122,806</u>
NET ASSETS	<u>2,432,905</u>	<u>11,475</u>	<u>2,444,380</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 2,680,196</u></u>	<u><u>\$ 11,475</u></u>	<u><u>\$ 2,691,671</u></u>

See independent auditor's report and notes to financial statements.

Heartland Hope Mission

Statement of Financial Position

December 31, 2017

	ASSETS		
	2017		
	Without Donor Restrictions	With Donor Restrictions	Total
CURRENT ASSETS			
Cash	\$ 487,609	\$ -	\$ 487,609
Investments	2,339	-	2,339
Accounts receivable	2,415	62,500	64,915
Inventory	512,585	-	512,585
Employee advance	28	-	28
Prepaid expenses	20,279	-	20,279
Building rent	-	149,175	149,175
Total current assets	<u>1,025,255</u>	<u>211,675</u>	<u>1,236,930</u>
FIXED ASSETS			
Buildings	1,883,857	-	1,883,857
Vehicles	117,660	-	117,660
Furniture and equipment	223,761	-	223,761
Less accumulated depreciation	(389,227)	-	(389,227)
Total fixed assets	<u>1,836,051</u>	<u>-</u>	<u>1,836,051</u>
TOTAL ASSETS	<u>\$ 2,861,306</u>	<u>\$ 211,675</u>	<u>\$ 3,072,981</u>
	LIABILITIES AND NET ASSETS		
	2017		
	Without Donor Restrictions	With Donor Restrictions	Total
CURRENT LIABILITIES			
Accounts payable	\$ 12,221	\$ -	\$ 12,221
Credit card payable	2,534	-	2,534
Payroll liabilities	8,272	-	8,272
Insurance claim	93,310	-	93,310
Current portion of long-term debt	15,657	-	15,657
Total current liabilities	<u>131,994</u>	<u>-</u>	<u>131,994</u>
LONG-TERM LIABILITIES			
Long-term debt	<u>136,482</u>	<u>-</u>	<u>136,482</u>
NET ASSETS	<u>2,592,830</u>	<u>211,675</u>	<u>2,804,505</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,861,306</u>	<u>\$ 211,675</u>	<u>\$ 3,072,981</u>

See independent auditor's report and notes to financial statements.

Heartland Hope Mission

Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2018

	2018		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUES AND GAINS			
Contributions and grants	\$ 2,298,243	\$ 229,787	\$ 2,528,030
Interest income	1,595	-	1,595
Gain on sale of investments	206	-	206
Miscellaneous income	26,206	-	26,206
Total revenues	<u>2,326,250</u>	<u>229,787</u>	<u>2,556,037</u>
Net assets released from restrictions	<u>433,547</u>	<u>(433,547)</u>	<u>-</u>
Total revenues after release of restrictions	2,759,797	(203,760)	2,556,037
EXPENSES AND LOSSES			
Program	2,793,240	-	2,793,240
Management and general	79,384	-	79,384
Fundraising	43,538	-	43,538
Total expenses and losses	<u>2,916,162</u>	<u>-</u>	<u>2,916,162</u>
CHANGE IN NET ASSETS	(156,365)	(203,760)	(360,125)
NET ASSETS, BEGINNING OF YEAR	<u>2,589,270</u>	<u>215,235</u>	<u>2,804,505</u>
NET ASSETS, END OF YEAR	<u>\$ 2,432,905</u>	<u>\$ 11,475</u>	<u>\$ 2,444,380</u>

See independent auditor's report and notes to financial statements.

Heartland Hope Mission

Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2017

	2017		
	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND GAINS			
Contributions and grants	\$ 2,344,319	\$ 321,090	\$ 2,665,409
Interest income	684	-	684
Miscellaneous income	3,987	-	3,987
Total revenues	<u>2,348,990</u>	<u>321,090</u>	<u>2,670,080</u>
Net assets released from restrictions	<u>493,790</u>	<u>(493,790)</u>	<u>-</u>
Total revenues after release of restrictions	2,842,780	(172,700)	2,670,080
EXPENSES AND LOSSES			
Loss on sale of assets	2,444	-	2,444
Program	2,891,109	-	2,891,109
Management and general	71,703	-	71,703
Fundraising	42,574	-	42,574
Total expenses and losses	<u>3,007,830</u>	<u>-</u>	<u>3,007,830</u>
CHANGE IN NET ASSETS	(165,050)	(172,700)	(337,750)
NET ASSETS, BEGINNING OF YEAR	<u>2,757,880</u>	<u>384,375</u>	<u>3,142,255</u>
NET ASSETS, END OF YEAR	<u>\$ 2,592,830</u>	<u>\$ 211,675</u>	<u>\$ 2,804,505</u>

See independent auditor's report and notes to financial statements.

Heartland Hope Mission

Statements of Cash Flows

For the Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (360,125)	\$ (337,750)
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation	83,209	84,642
Loss (gain) on sale of assets	(206)	2,444
(Increase) decrease in assets		
Investments	(221)	(2,339)
Accounts receivable	63,110	33,781
Inventory	2,175	100,001
Prepaid expenses	6,523	(10,346)
Employee advances	-	(13)
Building rent	137,700	137,700
Increase (decrease) in liabilities		
Accounts payable	79,850	(3,996)
Sales tax payable	229	(164)
Insurance claim	(93,310)	93,310
Payroll liabilities	6,878	115
Credit card payable	791	(1,043)
Net cash (used) provided by operating activities	<u>(73,397)</u>	<u>96,342</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment	(12,581)	(72,869)
Proceeds from sales of equipment	-	6,750
Proceeds from sale of investments	206	-
Net cash used by investing activities	<u>(12,375)</u>	<u>(66,119)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on notes payable	(15,624)	(17,130)
Net cash used by financing activities	<u>(15,624)</u>	<u>(17,130)</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(101,396)	13,093
CASH AND CASH EQUIVALENTS - Beginning of year	487,609	474,516
CASH AND CASH EQUIVALENTS - End of year	<u>\$ 386,213</u>	<u>\$ 487,609</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for interest	\$ 6,554	\$ 7,634
Cash received for interest	<u>\$ 1,595</u>	<u>\$ 684</u>

See independent auditor's report and notes to financial statements.

Heartland Hope Mission

Statement of Functional Expenses

For the Year Ended December 31, 2018

	2018			
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
SALARIES AND RELATED EXPENSES				
Salaries & payroll taxes	\$ 393,275	\$ 26,055	\$ 42,110	\$ 461,440
Benefits	2,980	197	319	3,496
Total salaries and related expenses	<u>396,255</u>	<u>26,252</u>	<u>42,429</u>	<u>464,936</u>
OTHER EXPENSES				
Pantry	1,950,979	-	-	1,950,979
Toys	2,502	-	-	2,502
Utilities	31,751	1,671	-	33,422
Rent	137,700	-	-	137,700
Automobile	33,549	-	-	33,549
Bank service charges	-	2,460	-	2,460
Board development	-	290	-	290
Interest	6,554	-	-	6,554
Insurance	23,471	7,824	-	31,295
Marketing	58,140	-	-	58,140
Miscellaneous	19,194	9,597	-	28,791
Occupancy	32,999	-	-	32,999
Office supplies	12,776	710	710	14,196
Postage	-	1,596	399	1,995
Printing	-	1,426	-	1,426
Professional fees	-	18,991	-	18,991
Technology	7,802	-	-	7,802
Telephone	4,680	246	-	4,926
Total other expense before depreciation	<u>2,322,097</u>	<u>44,811</u>	<u>1,109</u>	<u>2,368,017</u>
Depreciation	74,888	8,321	-	83,209
TOTAL EXPENSES	<u>\$ 2,793,240</u>	<u>\$ 79,384</u>	<u>\$ 43,538</u>	<u>\$ 2,916,162</u>

See independent auditor's report and notes to financial statements.

Heartland Hope Mission

Statement of Functional Expenses

For the Year Ended December 31, 2017

	2017			
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
SALARIES AND RELATED EXPENSES				
Salaries & payroll taxes	\$ 366,435	\$ 24,939	\$ 39,982	\$ 431,356
Benefits	3,710	252	405	4,367
Total salaries and related expenses	<u>370,145</u>	<u>25,191</u>	<u>40,387</u>	<u>435,723</u>
OTHER EXPENSES				
Pantry	2,128,236	-	-	2,128,236
Toys	2,448	-	-	2,448
Utilities	30,636	1,612	-	32,248
Rent	137,700	-	-	137,700
Automobile	25,668	-	-	25,668
Bank service charges	-	2,284	-	2,284
Board development	-	540	-	540
Interest	7,634	-	-	7,634
Insurance	13,509	4,503	-	18,012
Marketing	16,682	-	-	16,682
Miscellaneous	18,553	9,276	-	27,829
Occupancy	29,585	-	-	29,585
Office supplies	27,756	1,542	1,542	30,840
Postage	-	2,582	645	3,227
Printing	-	1,587	-	1,587
Professional fees	-	13,957	-	13,957
Technology	3,251	-	-	3,251
Telephone	3,128	165	-	3,293
Total other expense before depreciation	<u>2,444,786</u>	<u>38,048</u>	<u>2,187</u>	<u>2,485,021</u>
Depreciation	76,178	8,464	-	84,642
TOTAL EXPENSES	<u><u>\$ 2,891,109</u></u>	<u><u>\$ 71,703</u></u>	<u><u>\$ 42,574</u></u>	<u><u>\$ 3,005,386</u></u>

See independent auditor's report and notes to financial statements.

Heartland Hope Mission

Notes to Financial Statements

For the Years Ended December 31, 2018 and 2017

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OPERATIONS

The summary of significant accounting policies of Heartland Hope Mission (the Organization) is presented to assist in understanding the Organization's financial statements. The financial statements and notes are representations of the Organization's management who is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

Organization and Nature of Activities

Heartland Hope Mission (the Organization) is a non-profit organization distributing food, clothing, hygiene products, and household items while also providing emergency assistance programs in the Omaha, Nebraska area. The Organization was organized on January 21, 2003 with an amendment on October 9, 2009 reclassifying it as a religious organization. The name of the Organization was changed on July 8, 2011. It was formerly known as Mission for all Nations.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make 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.

Promises to Give and Contributions

The Organization accounts for contributions in accordance with the FASB Accounting Standards Codification (ASC) 958, *Not-for-Profit Entities*. In accordance with ASC 958, contributions received are recorded as with donor restrictions or without donor restrictions, depending on the existence or nature of any donor restrictions. All revenue is recognized in the period when the contribution, pledge, or unconditional promise to give is received.

All contributions are generally available for unrestricted use unless specifically restricted by the donor. The organization receives support for its three major programs through public support. Public support is mainly non-cash contributions. Monies are received from corporate and individual sponsors, and the Organization also receives grants both with and without donor restrictions. Policies concerning donated material and services are described in Note C.

Vacation Accrual

Full-time employees who work more 40 hours per week and part-time employees who work more than 25 hours per week earn paid time off with some exceptions. In service years 1-3 employees earn 2.31 hours per week up to a maximum of 120 hours. After the 3rd anniversary, employees accrue paid time off at the rate of 3.08 hours per week up to a maximum of 120 hours. Part-time employees earn a proportionate share of paid time off hours. At December 31, 2017, Management believed that the Organization's liability to employees for paid time off was not significant and had not accrued any amount for future compensation, Management accrued \$5,810 of future compensation at December 31, 2018.

Heartland Hope Mission

Notes to Financial Statements

For the Years Ended December 31, 2018 and 2017

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OPERATIONS (CONTINUED)

Financial Statement Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting and have been prepared in accordance with ASC 958, *Not-for-Profit Entities*. Resources are reported for accounting purposes into separate classes of net assets based on the existence or absence of donor-imposed restrictions. In the accompanying financial statements, net assets that have similar characteristics have been combined into similar categories.

Net assets without donor restrictions: Net assets without donor restrictions consist of resources that are available for general use in carrying out the mission of the Organization.

Net assets with donor restrictions: Net assets with donor restrictions represent contributions subject to donor-imposed restrictions. Some restrictions are temporary in nature, stipulating that resources be used after a specified date or for a particular purpose. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose of a restriction is accomplished, net assets are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Cash and Cash Equivalents

For purposes of the balance sheet and statement of cash flows, the Organization considers all unrestricted liquid investments with an initial maturity of three months or less to be cash equivalents.

Recent Accounting Pronouncements

In August 2016, the Financial Accounting Standards Board (FASB) issued ASU No. 2016-14, *Not-for-Profit-Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit-Entities*, which revises the not-for-profit financial reporting model. ASU 2016-14 provides for additional disclosure requirements and modifies net asset and expense reporting. The Organization adopted the new guidance effective January 1, 2018 and applied the changes retrospectively. Implementation of this guidance resulted in a change in presentation of net assets and additional disclosures surrounding the Organization's liquidity and availability of financial assets.

Reclassification

Certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements.

Heartland Hope Mission

Notes to Financial Statements

For the Years Ended December 31, 2018 and 2017

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OPERATIONS (CONTINUED)

Functional Expenses

The cost of providing programs and supporting services have been summarized on a functional basis in the statement of activities and 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 categories of expenses are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated on a square-footage basis include utilities, insurance, telephone, and depreciation. Salaries, payroll taxes, and employee benefits are allocated on the basis of estimates of time and effort. Office supplies, postage, and miscellaneous expenses are allocated on an as needed basis.

Property and Equipment

Property and equipment acquired by the Organization are considered to be owned by the Organization. The Organization follows the practice of capitalizing, at cost, all expenditures for property and equipment. Depreciation is computed on a straight-line basis over the useful lives of the assets. Depreciation expense for the years ended December 31, 2018 and 2017 was \$83,209 and \$84,642, respectively.

Income Tax Status

The Organization qualifies as a nonprofit corporation under Section 501(c)(3) of the Internal Revenue Code (the "Code") and, accordingly, no income taxes are included in these financial statements. The Organization has also been classified as an entity that is not a private foundation within the mean of Section 509(a) and qualifies for deductible contributions as provided in Section 170(b)(A)(vi).

The Organization believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements. The Organization's Federal, *Return of Organization Exempt from Tax*, Form 990, for 2017, 2016, and 2015 are subject to examination by the IRS, generally for three years after they were filed.

Investment in Securities

Investments in securities, including equity and debt securities, are reported at fair value. Investments in securities traded on a national securities exchange are valued at the latest quoted market prices. Unlisted investments are valued at the latest bid prices according to broker quotations or current redeemable values. Realized gains and losses on sales of investments are recognized in the statement of activities as specific investments are sold or donated. Interest income is recognized as earned. Dividend income is recognized on the ex-dividend date. All realized and unrealized gains and losses and income arising from investments are recognized in the statement of activities as increases or decreases to net assets without donor restrictions.

Heartland Hope Mission

Notes to Financial Statements

For the Years Ended December 31, 2018 and 2017

NOTE B PLEDGES RECEIVABLE

Pledges are promises to give and are recorded as receivables and revenue when received. The Organization distinguishes between contributions received for each net asset category in accordance with donor-imposed restrictions. Pledges receivable are stated at unpaid balances less an allowance for doubtful pledges. In management's opinion, the carrying value of pledges receivable approximates fair value. There were \$0 and \$62,500 of pledges receivable as of December 31, 2018 and 2017, respectively.

NOTE C DONATED MATERIAL AND SERVICES

Donated non-cash assets are recorded as contributions in the accompanying statements at their fair value in the period received. A pantry in Millard, Nebraska is occupied by the Organization rent free, with the agreement starting in February 2016 and ending in January 2019. Management estimates the fair value of rent to be approximately \$137,700 for the years ended December 31, 2018 and 2017. In addition, numerous volunteers have donated significant amounts of time to the Organization's program services. Management estimates the fair value of those services to be approximately \$458,407 and \$556,967 for the years ended December 31, 2018 and 2017, respectively.

NOTE D INVENTORY

Inventory consists primarily of food, clothing and household items. Food has been valued and recorded in the accompanying financial statements at the estimated weighted average wholesale amount per pound as determined by Second Harvest National Food Bank Network, a national consortium of regional food banks. Clothing has been valued at an amount set by both the Denver Rescue Mission and the Consumer Price Index for the Midwest region. Household items and other items are stated at standards set by other nonprofit entities in the area.

Inventory at December 31, 2018 and 2017 consisted of the following:

	<u>2018</u>	<u>2017</u>
Personal hygiene	\$ 20,174	\$ 34,837
Household	68,530	21,791
Clothing	211,815	238,222
Food – all	204,938	197,736
Other	4,953	19,999
Total	<u>\$ 510,410</u>	<u>\$ 512,585</u>

Heartland Hope Mission

Notes to Financial Statements

For the Years Ended December 31, 2018 and 2017

NOTE E LONG-TERM DEBT

Long term debt at December 31, 2018 and 2017 consists of the following:

	<u>2018</u>	<u>2017</u>
4.50% note payable to American National Bank with monthly principal and interest payments maturing in April, 2021, collateralized by a deed of trust on a building and assignment of all rents on real property.	\$ 136,516	\$ 149,582
Capital lease collateralized by equipment with monthly lease payments of \$478 maturing in May 2018	<u>-</u>	<u>2,557</u>
Total debt	136,516	152,139
Less current maturities	<u>13,710</u>	<u>15,657</u>
Long-term debt	<u>\$ 122,806</u>	<u>\$ 136,482</u>

LONG-TERM DEBT MATURITIES

2019	\$ 13,710
2020	14,334
2021	<u>108,472</u>
Total long-term debt	<u>\$ 136,516</u>

NOTE F NET ASSETS RELEASED FROM RESTRICTIONS

Net assets are released from restrictions as funds are utilized by the donors. The amount of net assets released from restriction for the years ended December 31, 2018 and 2017 was \$433,547 and \$493,790, respectively.

NOTE G UNINSURED BANK DEPOSITS

The federal depository insurance covers deposits only up to \$250,000 per depositor and does not cover money market funds. At December 31, 2018 and 2017, the Organization had \$118,832 and \$179,806, respectively, in cash deposits that were uninsured.

NOTE H RETIREMENT PLANS

The Organization has a section 403(b) plan whereby employees can elect to contribute a portion of their salary on a pre-tax basis to the plan. The Organization also makes contributions to the plan based on a percentage of the employee's salary. The Organization matches ½% of the employee contribution (deferral) up to 2% of an employee's compensation. The Organization's contribution for the years ended December 31, 2018 and 2017 totaled \$3,496 and \$3,426, respectively.

Heartland Hope Mission

Notes to Financial Statements

For the Years Ended December 31, 2018 and 2017

NOTE I INVESTMENTS

The Organization adopted the provisions of the fair value accounting literature which establishes a three-level hierarchal disclosure framework that prioritizes and ranks the level of market price observability used in measuring assets and liabilities at fair value. Market price observability is impacted by a number of factors, including the type of asset or liability and its characteristics. Assets and liabilities with readily available active quoted prices or for which fair value can be measured from actively quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value.

The three levels are defined as follows:

- 1) *Level 1* – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.
- 2) *Level 2* – Inputs to the valuation methodology include:
 - quoted prices for similar assets and liabilities in active markets;
 - quoted prices for identical or similar assets or liabilities in inactive markets;
 - inputs other than quoted prices that are observable for the asset or liability;
 - inputs that are derived principally from or corroborated by observable market data by correlation or other means
- 3) *Level 3* – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

For the years ended December 31, 2018 and 2017, the application of valuation techniques applied to similar assets has been consistent. The Organization considers the carrying amounts of all financial instruments to be a reasonable estimate of fair value and all investments are classified as available for sale.

As of December 31, 2018 and 2017, all investments held by the Organization are categorized as Level 1 investments. The Organization does not have investments considered to be Level 2 or 3.

Investments are recorded at fair value, and are composed of the following:

	<u>2018</u>	<u>2017</u>
Common stocks	\$ 2,560	\$ 2,339
TOTAL	<u>\$ 2,560</u>	<u>\$ 2,339</u>

A net unrealized loss of \$15 was recognized during for the year ended December 31, 2017.

NOTE J LINE OF CREDIT

The Organization has a line of credit with a local bank that provides borrowings up to \$10,000 with an interest rate of 0.15%. There was no outstanding balance as of December 31, 2018 and 2017.

Heartland Hope Mission

Notes to Financial Statements

For the Years Ended December 31, 2018 and 2017

NOTE K LIQUIDITY AND AVAILABILITY OF RESOURCES

The Organization's financial assets available to meet cash needs for general expenditures within one year of the dates of the statements of financial position include:

	<u>2018</u>		<u>2017</u>
Cash and cash equivalents	\$ 386,213	\$	487,609
Short-term investments	2,560		2,339
Accounts receivable	1,805		2,415
Contributions receivable	-		62,500
Total	<u>\$ 390,578</u>	<u>\$</u>	<u>554,863</u>

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due. To help manage unanticipated liquidity needs, the Organization has a committed line of credit in the amount of \$10,000, available to be withdrawn in its entirety at December 31, 2018.

NOTE L NET ASSETS WITH DONOR IMPOSED RESTRICTIONS

Net assets with and without donor restrictions as of December 31, 2018 and 2017 consist of the following:

	<u>2018</u>		<u>2017</u>
Amounts without donor restrictions			
Undesignated	<u>\$ 2,432,905</u>	<u>\$</u>	<u>2,592,830</u>
Amounts with donor restrictions			
Amounts restricted by purpose:			
Hunger and Homelessness Prevention Program	\$ -	\$	62,500
Use of donated facilities	11,475		149,175
Total	<u>11,475</u>		<u>211,675</u>
Total net assets	<u>\$ 2,444,380</u>	<u>\$</u>	<u>2,804,505</u>