

# **HEARTLAND HOPE MISSION**

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## **FINANCIAL STATEMENTS**

Years ended December 31, 2021 and 2020

# Heartland Hope Mission

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## **INDEPENDENT AUDITOR'S REPORT**

Heartland Hope Mission  
Board of Directors

### **Opinion**

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, 2021 and 2020, 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.

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, 2021 and 2020 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.

### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Heartland Hope Mission and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Heartland Hope Mission's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.



## VERDANT ACCOUNTING

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Heartland Hope Mission's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Heartland Hope Mission's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

*Verdant Accounting P.C.*

La Vista, Nebraska  
June 29, 2022

# Heartland Hope Mission

## Statement of Financial Position

December 31, 2021

### ASSETS

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>CURRENT ASSETS</b>			
Cash	\$ 449,896	\$ -	\$ 449,896
Accounts receivable	826	-	826
Pledges receivable	-	131,453	131,453
Inventory	958,717	-	958,717
Prepaid expenses	20,029	-	20,029
Total current assets	<u>1,429,468</u>	<u>131,453</u>	<u>1,560,921</u>
<b>NONCURRENT ASSETS</b>			
Pledges receivable	-	129,715	129,715
Land	807,985	-	807,985
Buildings	4,020,926	-	4,020,926
Vehicles	279,502	-	279,502
Furniture and equipment	322,581	-	322,581
Less accumulated depreciation	(735,266)	-	(735,266)
Total noncurrent assets	<u>4,695,728</u>	<u>129,715</u>	<u>4,825,443</u>
<b>TOTAL ASSETS</b>	<u>\$ 6,125,196</u>	<u>\$ 261,168</u>	<u>\$ 6,386,364</u>

### LIABILITIES AND NET ASSETS

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>CURRENT LIABILITIES</b>			
Accounts payable	\$ 27,060	\$ -	\$ 27,060
Credit card payable	434	-	434
Accrued liabilities	51,729	-	51,729
Line of credit	387,045	-	387,045
Current maturities of notes payable	41,789	-	41,789
Current maturities of capital lease obligations	7,885	-	7,885
Total current liabilities	<u>515,942</u>	<u>-</u>	<u>515,942</u>
<b>NONCURRENT LIABILITIES</b>			
Notes payable, less current maturities	2,078,211	-	2,078,211
Capital lease obligations, less current maturities	49,074	-	49,074
Total noncurrent liabilities	<u>2,127,285</u>	<u>-</u>	<u>2,127,285</u>
<b>NET ASSETS</b>	<u>3,481,969</u>	<u>261,168</u>	<u>3,743,137</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 6,125,196</u>	<u>\$ 261,168</u>	<u>\$ 6,386,364</u>

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

# Heartland Hope Mission

## Statement of Financial Position

December 31, 2020

### ASSETS

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>CURRENT ASSETS</b>			
Cash	\$ 581,917	\$ -	\$ 581,917
Accounts receivable	121	-	121
Investments	1,062	-	1,062
Inventory	814,316	-	814,316
Prepaid expenses	11,655	-	11,655
Building rent	-	11,475	11,475
Total current assets	<u>1,409,071</u>	<u>11,475</u>	<u>1,420,546</u>
<b>FIXED ASSETS</b>			
Buildings	2,058,852	-	2,058,852
Vehicles	135,786	-	135,786
Furniture and equipment	260,320	-	260,320
Less accumulated depreciation	(633,308)	-	(633,308)
Total fixed assets	<u>1,821,650</u>	<u>-</u>	<u>1,821,650</u>
<b>TOTAL ASSETS</b>	<u>\$ 3,230,721</u>	<u>\$ 11,475</u>	<u>\$ 3,242,196</u>

### LIABILITIES AND NET ASSETS

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>CURRENT LIABILITIES</b>			
Accounts payable	\$ 64,340	\$ -	\$ 64,340
Credit card payable	4,261	-	4,261
Accrued liabilities	34,270	-	34,270
Total current liabilities	<u>102,871</u>	<u>-</u>	<u>102,871</u>
<b>NET ASSETS</b>	<u>3,127,850</u>	<u>11,475</u>	<u>3,139,325</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 3,230,721</u>	<u>\$ 11,475</u>	<u>\$ 3,242,196</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, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>REVENUES AND GAINS</b>			
Contributions and grants	\$ 4,021,763	\$ 673,140	\$ 4,694,903
Interest income	146	-	146
Gain on sale of investments	2	-	2
Gain on sale of assets	136	-	136
Miscellaneous income	2,823	-	2,823
Total revenues and gains	<u>4,024,870</u>	<u>673,140</u>	<u>4,698,010</u>
<b>OTHER INCOME</b>			
Gain on forgiveness of debt	103,788	-	103,788
Net assets released from restrictions	<u>423,447</u>	<u>(423,447)</u>	<u>-</u>
Total revenues after release of restrictions	4,552,105	249,693	4,801,798
<b>EXPENSES AND LOSSES</b>			
Program services	3,863,497	-	3,863,497
Management and general	202,104	-	202,104
Fundraising	132,385	-	132,385
Total expenses and losses	<u>4,197,986</u>	<u>-</u>	<u>4,197,986</u>
<b>CHANGE IN NET ASSETS</b>	354,119	249,693	603,812
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>3,127,850</u>	<u>11,475</u>	<u>3,139,325</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 3,481,969</u>	<u>\$ 261,168</u>	<u>\$ 3,743,137</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, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>REVENUES AND GAINS</b>			
Contributions and grants	\$ 2,593,813	\$ 440,818	\$ 3,034,631
Interest income	446	-	446
Gain on sale of investments	183	-	183
Miscellaneous income	8,373	-	8,373
Total revenues and gains	<u>2,602,815</u>	<u>440,818</u>	<u>3,043,633</u>
<b>OTHER INCOME</b>			
Gain on forgiveness of debt	85,900	-	85,900
Net assets released from restrictions	<u>440,818</u>	<u>(440,818)</u>	<u>-</u>
Total revenues after release of restrictions	3,129,533	-	3,129,533
<b>EXPENSES AND LOSSES</b>			
Program services	2,372,434	-	2,372,434
Management and general	81,462	-	81,462
Fundraising	75,505	-	75,505
Total expenses and losses	<u>2,529,401</u>	<u>-</u>	<u>2,529,401</u>
<b>CHANGE IN NET ASSETS</b>	600,132	-	600,132
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>2,527,718</u>	<u>11,475</u>	<u>2,539,193</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 3,127,850</u>	<u>\$ 11,475</u>	<u>\$ 3,139,325</u>

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



# Heartland Hope Mission

## Statements of Cash Flows

For the Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 603,812	\$ 600,132
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation	114,958	81,475
Gain on sale of assets	(138)	(183)
Donated stocks	(9,431)	-
(Increase) decrease in assets		
Investments	1,062	(1,062)
Accounts receivable	(705)	(121)
Pledges receivable	(261,168)	-
Inventory	(144,401)	(184,010)
Prepaid expenses	(8,374)	1,717
Building rent	11,475	-
Increase (decrease) in liabilities		
Accounts payable	(37,280)	50,801
Accrued liabilities	17,459	11,648
Credit card payable	(3,827)	3,359
Net cash provided (used) by operating activities	<u>283,442</u>	<u>563,756</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of building	(2,773,027)	-
Purchase of equipment	(61,429)	(192,363)
Purchase of vehicles	(156,671)	-
Proceeds from sale of investments	11,661	181
Net cash used by investing activities	<u>(2,979,466)</u>	<u>(192,182)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Loan for purchase of building	2,120,000	-
Loans for purchase of vehicles	61,691	-
Line of credit	387,045	-
Payments on notes payable	(4,733)	(122,841)
Net cash used by financing activities	<u>2,564,003</u>	<u>(122,841)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(132,021)	248,733
<b>CASH AND CASH EQUIVALENTS - Beginning of year</b>	581,917	333,184
<b>CASH AND CASH EQUIVALENTS - End of year</b>	<u>\$ 449,896</u>	<u>\$ 581,917</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash paid for interest	\$ 3,175	\$ 5,228
Cash received for interest	\$ 146	\$ 446

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

# Heartland Hope Mission

## Statement of Functional Expenses

For the Year Ended December 31, 2021

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
<b>SALARIES AND RELATED EXPENSES</b>				
Salaries & payroll taxes	\$ 554,016	\$ 48,217	\$ 73,931	\$ 676,164
Benefits	7,400	644	987	9,031
Total salaries and related expenses	<u>561,416</u>	<u>48,861</u>	<u>74,918</u>	<u>685,195</u>
<b>OTHER EXPENSES</b>				
Pantry	2,857,607	780	20,807	2,879,194
Toys	17,653	-	-	17,653
Utilities	11,060	21,406	-	32,466
Automobile	76,185	1,522	-	77,707
Bank service charges	6	13,228	652	13,886
Interest	3,175	-	-	3,175
Insurance	8,821	8,296	-	17,117
Marketing	30,131	22	7,130	37,283
Miscellaneous	40,712	6,827	-	47,539
Occupancy	132,739	48,457	-	181,196
Office supplies	1,047	6,150	26,729	33,926
Postage	-	2,409	-	2,409
Printing	-	73	-	73
Professional fees	5,025	20,787	-	25,812
Property taxes	3,071	109	-	3,180
Technology	9,314	1,953	1,523	12,790
Telephone	-	9,497	-	9,497
Others	2,073	231	626	2,930
Total other expense before depreciation	<u>3,198,619</u>	<u>141,747</u>	<u>57,467</u>	<u>3,397,833</u>
Depreciation	<u>103,462</u>	<u>11,496</u>	<u>-</u>	<u>114,958</u>
<b>TOTAL EXPENSES</b>	<u><u>\$ 3,863,497</u></u>	<u><u>\$ 202,104</u></u>	<u><u>\$ 132,385</u></u>	<u><u>\$ 4,197,986</u></u>

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

# Heartland Hope Mission

## Statement of Functional Expenses

For the Year Ended December 31, 2020

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
<b>SALARIES AND RELATED EXPENSES</b>				
Salaries & payroll taxes	\$ 427,625	\$ 31,595	\$ 71,334	\$ 530,554
Benefits	3,500	259	584	4,343
Total salaries and related expenses	<u>431,125</u>	<u>31,854</u>	<u>71,918</u>	<u>534,897</u>
<b>OTHER EXPENSES</b>				
Pantry	1,614,377	-	-	1,614,377
Toys	1,722	-	-	1,722
Utilities	29,028	1,613	1,613	32,254
Automobile	22,763	-	-	22,763
Bank service charges	-	5,734	-	5,734
Interest	5,228	-	-	5,228
Insurance	13,074	4,358	-	17,432
Marketing	56,942	-	-	56,942
Miscellaneous	20,321	10,110	-	30,431
Occupancy	52,047	-	-	52,047
Office supplies	32,606	1,811	1,811	36,228
Postage	-	652	163	815
Printing	-	121	-	121
Professional fees	-	16,647	-	16,647
Technology	12,002	-	-	12,002
Telephone	7,872	414	-	8,286
Total other expense before depreciation	<u>1,867,982</u>	<u>41,460</u>	<u>3,587</u>	<u>1,913,029</u>
Depreciation	73,327	8,148	-	81,475
<b>TOTAL EXPENSES</b>	<u>\$ 2,372,434</u>	<u>\$ 81,462</u>	<u>\$ 75,505</u>	<u>\$ 2,529,401</u>

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

# Heartland Hope Mission

## Notes to Financial Statements

For the Years Ended December 31, 2021 and 2020

### **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 3<sup>rd</sup> 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. On December 31, 2021 and 2020, the Organization accrued \$21,947 and \$15,920 of future compensation, respectively.

# Heartland Hope Mission

## Notes to Financial Statements

For the Years Ended December 31, 2021 and 2020

### **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 2018, the FASB issued ASU 2018-08, *Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions made*. ASU 2018-18 clarifies the guidance for evaluating whether a transaction is reciprocal (i.e., an exchange transaction) or nonreciprocal (i.e., a contribution) and for distinguishing between conditional and unconditional contributions. The Organization adopted the new guidance effective January 1, 2019 and applied the changes prospectively.

In 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This ASU establishes principles for reporting useful information to users of financial statements about the nature, timing, and uncertainty of revenue and cash flows arising from the entity's contracts with customers, particularly, than an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expected to be entitled in exchange for those goods or services. The Organization adopted the new guidance effective January 1, 2019 and applied the modified retrospective approach.

In 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than twelve months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. The new standard is effective for the Organization's 2022 financial statements. Early adoption is permitted.

# Heartland Hope Mission

## Notes to Financial Statements

For the Years Ended December 31, 2021 and 2020

### **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, 2021 and 2020 was \$114,958 and \$81,475, 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 2020, 2019, and 2018 are subject to examination by the IRS, generally for three years after they were filed.

#### Evaluation of Subsequent Events

Management has evaluated subsequent events through June 29, 2022, the date the financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosures in these financial statements.

#### 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, 2021 and 2020

### 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 are recorded after being discounted to the anticipated net present value of the future cash flows. On December 31, 2021, the Organization has \$261,169 of pledges receivable. Pledges are expected to be realized in the following periods:

	<u>2021</u>
In one year or less	\$ 135,000
Between one year and five years	<u>135,000</u>
	270,000
Less: discount, 1.34%	<u>8,832</u>
Net present value	<u>\$ 261,168</u>

There were no pledges receivables as of December 31, 2020.

### 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. The initial agreement started in February 2016 and ended in January 2019 and has been extended for two years expiring in December 2021. Management estimates the fair value of rent to be approximately \$137,700 for the years ended December 31, 2021 and 2020.

For the year ended December 31, 2021, the Organization received 19,701 volunteer hours valued at approximately \$562,267, substantially all of which were incurred to assist the Organization in achieving the goals of its program services. However, no value for these services has been recognized as specialized skills were not required.

The Organization was also a recipient of advertising time donated in-kind, amounting to \$13,794 and \$46,353 for the years ended December 31, 2021 and 2020, 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, 2021 and 2020 consisted of the following:

	<u>2021</u>	<u>2020</u>
Personal hygiene	\$ 268,375	\$ 50,798
Household	48,529	35,195
Clothing	317,981	452,900
Food – all	294,880	267,048
Other	28,952	8,375
Total	<u>\$ 958,717</u>	<u>\$ 814,316</u>



# Heartland Hope Mission

## Notes to Financial Statements

For the Years Ended December 31, 2021 and 2020

### NOTE E LONG-TERM DEBT

Long term debt at December 31, 2021 consists of the following:

	2021
3.65% note payable to a bank with monthly principal and interest payments maturing in November 2026	\$ 2,120,000
Less current maturities	41,789
Notes payable, less current maturities	<u>2,078,211</u>
Capital lease obligation for equipment purchased with monthly principal and interest payments maturing in February 2026, 1.814%	30,762
Capital lease obligation for equipment purchased with monthly principal and interest payments maturing in December 2026, 1.803%	26,197
Less current maturities	7,885
Capital lease obligation, less current maturities	<u>49,074</u>
Long-term debt	<u><u>\$ 2,127,285</u></u>

There was no outstanding long-term debt on December 31, 2020.

### NOTE F 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, 2021 and 2020, the Organization had \$233,011 and \$359,089, respectively, in cash deposits that were uninsured.

### NOTE G 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 one half of one percent of the employee contribution (deferral) up to two percent of an employee's compensation. The Organization's contribution for the years ended December 31, 2021 and 2020 totaled \$9,031 and \$4,343, respectively.



# Heartland Hope Mission

## Notes to Financial Statements

For the Years Ended December 31, 2021 and 2020

### NOTE H INVESTMENTS

The Organization adopted the provisions of the fair value accounting literature which establishes a three-level hierarchical 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, 2021 and 2020, 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, 2020, 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:

	2021	2020
Common stocks	\$ -	\$ 1,062

# Heartland Hope Mission

## Notes to Financial Statements

For the Years Ended December 31, 2021 and 2020

### NOTE I 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:

	2021	2020
Cash and cash equivalents	\$ 449,896	\$ 581,917
Short-term investments	-	1,062
Accounts receivable	826	121
Pledges receivable	131,453	-
Prepaid expenses	20,029	-
Total current financial assets	<u>602,204</u>	<u>583,100</u>
Less those unavailable or general expenditures within one year:		
Net assets with donor restriction (short-term)	<u>261,168</u>	<u>11,475</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 341,036</u>	<u>\$ 571,625</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.

### NOTE J LINE OF CREDIT

The Organization has a line of credit with a local bank that provides borrowings up to \$1,000,000 with an interest rate of 4%. The related debt outstanding is \$387,045 as of December 31, 2021. The line of credit is collateralized by a deed of trust on a related property. There are no compensating balance arrangements.

### NOTE K 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, 2021 and 2020 was \$434,922 and \$440,818, respectively.

# Heartland Hope Mission

## Notes to Financial Statements

For the Years Ended December 31, 2021 and 2020

### NOTE L NET ASSETS WITH DONOR IMPOSED RESTRICTIONS

Net assets with and without donor restrictions as of December 31, 2021 and 2020 consist of the following:

	2021	2020
Amounts without donor restrictions		
Undesignated	\$ 3,481,969	\$ 3,127,850
Amounts with donor restrictions		
Amounts restricted by the passage of time of time:	261,168	-
Amounts restricted by purpose:		
Use of donated facilities	-	11,475
Total	-	11,475
Total net assets	<u>\$ 3,743,137</u>	<u>\$ 3,139,325</u>

### NOTE M CAPITAL LEASES

The Organization leases its property and equipment from HYG Financial Services under a capital lease. The economic substance of the lease is that the Organization is financing the acquisition of the assets through the lease, and, accordingly, it is recorded in the Organization's assets and liabilities.

The following is an analysis of the leased assets included in Property and Equipment:

	2021
Vehicle	\$ 58,516
Less accumulated depreciation	4,746
	<u>\$ 53,770</u>

The lease agreement contains a bargain purchase option at the end of the lease term.

The following is a schedule by years of future minimum payments required under the lease together with their present value as of December 31, 2021:

Year ending December 31	
2021	\$ 3,467
2022	12,338
2023	12,338
2024	12,338
2025	12,338
Later years	<u>10,164</u>
Total minimum lease payments	62,984
Less amount representing interest	<u>2,970</u>
Present value of minimum lease payments	<u>\$ 60,014</u>

Amortization of assets held under capital leases is included with depreciation expense.