

HEART TO HONDURAS, INC.

**CONSOLIDATED
FINANCIAL STATEMENTS**

December 31, 2014 and 2013

With Independent Auditor's Report

JAMES H. QUIST CPA PLC

HEART TO HONDURAS, INC.

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INDEPENDENT AUDITOR'S REPORT

**Board of Directors
Heart to Honduras, Inc.
Xenia, Ohio**

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

I have audited the accompanying consolidated statements of financial position of Heart to Honduras, Inc. and its subsidiary as of December 31, 2014 and 2013 and the related consolidated statements of activities and cash flows for the years then ended. These consolidated financial statements are the responsibility of the organization's management.

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JAMES H. QUIST CPA PLC

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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

My responsibility is to express an opinion on these consolidated financial statements based on my audits. I conducted my audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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, I 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 consolidated financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Heart to Honduras, Inc. and its subsidiary as of December 31, 2014 and 2013, 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.

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INDEPENDENT AUDITOR'S REPORT, continued

OTHER MATTER

My audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary data provided on pages 13 through 15 is presented only for additional analysis purposes and is not a required part of the basic consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

A handwritten signature in blue ink that reads "James H. Quist". The signature is written in a cursive style with a large initial "J".

Wyoming, Michigan
August 14, 2015

HEART TO HONDURAS, INC.

Consolidated Statements of Financial Position

	December 31,	
	2014	2013
ASSETS		
Cash and cash equivalents	\$ 290,417	\$ 140,365
Accounts receivable	1,159	10
Contributions receivable	459,590	277,890
Prepaid expenses	3,115	92,221
Notes and other receivables	307	12,488
Inventory	5,012	16,480
Property held for sale	18,236	-
Property and equipment, net	1,669,251	1,691,832
Total Assets	<u>\$ 2,447,087</u>	<u>\$ 2,231,286</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 14,726	\$ 7,142
Accrued payroll taxes	9,507	8,799
Accrued severance pay	36,627	33,729
Notes payable	-	41,000
Line of credit	-	25,000
Total Liabilities	<u>60,860</u>	<u>115,670</u>
Net Assets		
Unrestricted		
Undesignated	188,133	(96,916)
Net investment in property and equipment	1,669,251	1,691,832
	<u>1,857,384</u>	<u>1,594,916</u>
Temporarily restricted	<u>528,843</u>	<u>520,700</u>
Total Net Assets	<u>2,386,227</u>	<u>2,115,616</u>
Total Liabilities and Net Assets	<u>\$ 2,447,087</u>	<u>\$ 2,231,286</u>

See accompanying notes to consolidated financial statements

HEART TO HONDURAS, INC.

Consolidated Statements of Activities

For the Years Ended December 31,

	2014			2013				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUE								
Contributions	\$ 964,201	\$ 1,414,902	\$ -	\$ 2,379,103	\$ 724,121	\$ 1,681,722	\$ -	\$ 2,405,843
Gifts-in-kind	132,314	-	-	132,314	143,188	-	-	143,188
Investment income	283	-	-	283	(713)	937	-	224
Gain on sale of assets	(120)	-	-	(120)	-	-	-	-
Merchandise sales, net of cost of goods sold of \$26,103 and \$2,701 respectively	2,117	-	-	2,117	25,543	-	-	25,543
Other revenue	38,476	-	-	38,476	8,955	-	-	8,955
Total Support and Revenue	1,137,271	1,414,902	-	2,552,173	901,094	1,682,659	-	2,583,753
RECLASSIFICATIONS								
Net assets released for:								
Administration cost assessment	33,490	(33,490)	-	-	37,885	(37,885)	-	-
Release by donor from permanent restriction	-	-	-	-	36,000	-	(36,000)	-
Satisfaction of purpose restrictions	1,373,269	(1,373,269)	-	-	1,409,729	(1,409,729)	-	-
Total Reclassifications	1,406,759	(1,406,759)	-	-	1,483,614	(1,447,614)	(36,000)	-
Total Support, Revenue and Reclassifications	2,544,030	8,143	-	2,552,173	2,384,708	235,045	(36,000)	2,583,753
EXPENSES								
Program services	1,518,115	-	-	1,518,115	1,774,414	-	-	1,774,414
Supporting activities:								
Management and general	299,738	-	-	299,738	236,864	-	-	236,864
Fund-raising	460,635	-	-	460,635	413,726	-	-	413,726
Total Expenses	2,278,488	-	-	2,278,488	2,425,004	-	-	2,425,004
Change in Net Assets before Currency Exchange	265,542	8,143	-	273,685	(40,296)	235,045	(36,000)	158,749
Currency exchange	(3,074)	-	-	(3,074)	1,520	-	-	1,520
Change in Net Assets after Currency Exchange	262,468	8,143	-	270,611	(38,776)	235,045	(36,000)	160,269
Net Assets, Beginning of Year	1,594,916	520,700	-	2,115,616	1,633,692	285,655	36,000	1,955,347
Net Assets, End of Year	\$ 1,857,384	\$ 528,843	\$ -	\$ 2,386,227	\$ 1,594,916	\$ 520,700	\$ -	\$ 2,115,616

HEART TO HONDURAS, INC.

Consolidated Statements of Cash Flows

	For the Years Ended December 31,	
	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 270,611	\$ 160,269
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Loss on disposal of property and equipment	120	-
Write-off of uncollectible notes receivable	442	-
Donation of notes payable	(41,000)	(45,000)
Depreciation expense	64,880	53,930
Change in:		
Accounts receivable	(1,149)	205
Contributions receivable	(181,700)	(277,890)
Prepaid expenses	89,106	16,471
Inventory	11,468	(8,200)
Accounts payable	7,584	7,142
Accrued payroll taxes	708	4,387
Accrued severance pay	2,898	(13,750)
Net Cash Provided (Used) by Operating Activities	223,968	(102,436)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(60,655)	(750)
Proceeds from sales of investments	-	38,743
Issuance of notes receivable	(14,045)	-
Collections on notes receivable	25,784	(261)
Net Cash (Used) Provided by Investing Activities	(48,916)	37,732
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from line of credit	13,000	38,000
Payments on line of credit	(38,000)	(13,000)
Net Cash (Used) Provided by Financing Activities	(25,000)	25,000
Change in Cash and Cash Equivalents	150,052	(39,704)
Cash and Cash Equivalents, Beginning of Year	140,365	180,069
Cash and Cash Equivalents, End of Year	\$ 290,417	\$ 140,365
SUPPLEMENTAL DISCLOSURES:		
Cash paid for interest	\$ 3,383	\$ 999

See accompanying notes to consolidated financial statements

HEART TO HONDURAS, INC.

Notes to Consolidated Financial Statements

December 31, 2014 and 2013

1. NATURE OF ORGANIZATION

Heart to Honduras, Inc. (HTH) was incorporated as a Florida nonprofit religious corporation in July 1991. In 2001, HTH relocated its domestic operations to Xenia, Ohio. HTH is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code (code) and is not a private foundation under Section 509(a)(2) of the code. HTH is supported primarily by contributions from churches and individuals. These financial statements include the assets, liabilities, net assets, revenue and expenses of Ministerio Corazon¹ Para Honduras Internacional (CPH), which operates as a non-governmental not-for-profit entity in Honduras. CPH reports to HTH's board of directors.

HTH is a holistic ministry, centered in Christ, resourced by passionate partners. HTH seeks to provide, primarily through CPH, food for the hungry, clothing for the naked, housing for the homeless, healing for the hurting and hope for the hopeless in the Central American country of Honduras. In addition to the basic needs of the Honduran people, HTH seeks to provide spiritual and material support to pastors and churches and to provide opportunities for members of the North American church to become involved in helping to meet the needs of the Honduran church.

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements of HTH include the combined financial resources and activities of HTH and CPH, which HTH funds. All inter-organization balances and transactions have been eliminated in the consolidation.

2. SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The financial statements have been prepared using the accrual basis of accounting. The preparation of financial statements in accordance with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates. The more significant accounting policies are summarized below.

FUNCTIONAL CURRENCY AND GAIN (LOSS) ON CURRENCY EXCHANGE

Because the primary source of financing occurs in U.S. dollars and because the changes in the foreign operation assets directly affect the cash flows of the U.S. operations, the functional currency used is the U.S. dollar. All transactions in foreign currencies have been translated into U.S. dollars at average rates of exchange prevailing for the years ended December 31, 2014 and 2013, as applicable. These translations are reported as currency exchange on the statements of activities.

CASH AND CASH EQUIVALENTS

For purposes of these statements, HTH considers all checking, savings and money market accounts to be cash and cash equivalents. Accounts in United States banks are insured by the Federal Deposit Insurance Corporation up to \$250,000 per bank. From time to time during the year, HTH may have cash in any of these accounts in excess of the federally insured limit. HTH has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

HEART TO HONDURAS, INC.

Notes to Consolidated Financial Statements

December 31, 2014 and 2013

2. SIGNIFICANT ACCOUNTING POLICIES, continued

CASH AND CASH EQUIVALENTS, continued

HTH utilizes four accounts in a national bank in Honduras for funds deposited there, which totaled \$105,080 and \$27,515 at December 31, 2014 and 2013, respectively. Funds on deposit in Honduras banks are insured for up to 100,000 lempiras (or approximately \$4,900 and \$4,700 U.S. at December 31, 2014 and 2013, respectively) per each account.

At December 31, 2014 and 2013, the balance of temporarily restricted net assets exceeded the balance of cash and cash equivalents. However, HTH can borrow against its \$35,000 line of credit (Note 6) if such would be necessary to fulfill the purpose restrictions of temporarily restricted net assets.

Donated investments are recorded initially at fair value on the date of the gift and reported subsequently at fair value as of the report date. Fair value of donated marketable equity securities is based on quoted prices in active markets for identical assets, which is Level 1 of the fair value hierarchy established under the Fair Value Measurements and Disclosure Topic of the Financial Accounting Standards Board Accounting Standards Codification.

Realized and unrealized gains and losses are reported in unrestricted income in the statements of activities unless a donor or law temporarily or permanently restricts their use. Realized gains and losses are determined using the specific identification method.

CONTRIBUTIONS RECEIVABLE

Contributions receivable consists of twenty two promises to give from various individuals at December 31, 2014, and nineteen promises to give from various individuals at December 31, 2013. Unconditional promises to give are recognized as income when made and reported at fair value based upon estimated future cash flows. Unconditional promises to give that are expected to be collected within one year are reported at net realizable value because the present value of the estimated value of the estimated cash flows approximates net realizable value. Unconditional promises to give that are expected to be collected in future years are reported 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 expected to be received. This discount rate is based on yields of U.S. treasury bills corresponding to the timing of the contributions receivable. Amortization of the discount is included in contributions revenue in the consolidated statements of activities. Because all promises to give are expected to be collected within one year, all are being reported at net realizable value.

Management believes all contributions receivable balances are fully collectible at December 31, 2014 and 2013; there is, therefore, no allowance for doubtful promises to give.

NOTES AND OTHER RECEIVABLES

Notes and other receivables include loans made to Brazos Abiertos churches, employees and other miscellaneous receivables. Brazos Abiertos is an association of churches that has been formed and is operating as an HTH ministry. All of the assets of the member churches belong to HTH. Loans are made to these churches to facilitate their growth and self-sustenance.

HEART TO HONDURAS, INC.

Notes to Consolidated Financial Statements

December 31, 2014 and 2013

2. SIGNIFICANT ACCOUNTING POLICIES, continued

NOTES AND OTHER RECEIVABLES, continued

Loans made to employees are approved by management. Employees must make monthly payments on these loans until fully paid. Upon termination of employment, management considers whether forgiveness of the unpaid balance is appropriate, given the circumstances. If not, arrangements for repayment are made with the former employee.

Outstanding loan balances are reviewed at year-end to determine their collectability. Those deemed to be uncollectible are written-off. Management thus believes all reported receivable balances are fully collectible, and no provision for uncollectible accounts has been made.

INVENTORY

Inventory, which consists primarily of coffee and logo merchandise, is valued at the lower of cost or market. Cost is determined using the first-in, first-out method.

PROPERTY, EQUIPMENT AND DEPRECIATION

Property and equipment are stated at cost or, if donated, at the fair value as of the date of the gift. HTH capitalizes purchases greater than \$1,000. Depreciation is recorded using the straight-line method over estimated useful lives of 3 to 40 years. Depreciation expense was \$65,688 and \$53,930 for the years ended December 31, 2014 and 2013, respectively.

ACCRUED SEVERANCE PAY

Accrued severance pay reflects amounts due to employees at December 31, 2014 and 2013 under Honduran employment regulations, which prescribe that eligible employees are entitled to one month of severance compensation for every year of employment up to a maximum of fifteen months' compensation. Several former employees have in the past resigned and received their respective severance pay amounts. Some of these individuals have then been rehired by HTH as contract workers.

CLASSES OF NET ASSETS

The financial statements report amounts by class of net assets as follows:

UNRESTRICTED NET ASSETS are those currently available for ministry purposes under the direction of the board of directors (undesignated net assets), those designated by the board for specific use and the resources invested in property and equipment.

TEMPORARILY RESTRICTED NET ASSETS are those contributed with donor stipulations for specific operating purposes or programs, those with time restrictions or those not currently available for use until commitments regarding their use have been fulfilled. When a purpose restriction is accomplished or a time restriction ends, temporarily restricted net assets are released to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

HEART TO HONDURAS, INC.

Notes to Consolidated Financial Statements

December 31, 2014 and 2013

2. SIGNIFICANT ACCOUNTING POLICIES, continued

CLASSES OF NET ASSETS, continued

PERMANENTLY RESTRICTED NET ASSETS result from contributions, the use of which is limited by donor-imposed stipulations that neither expire by passage of time nor can be removed by actions of HTH. Permanently restricted net assets are comprised of endowment gifts made to HTH. In March 2013, with the approval of the donor of the permanently restricted contribution, the HTH board of directors authorized reclassifying the \$36,000 endowment corpus to be used towards its 2013 capital fund-raising effort.

SUPPORT AND REVENUE

Contributions are recorded when cash is received, unconditional promises are made, and when ownership of donated assets is transferred to HTH. All contributions are considered available for unrestricted use, unless specifically restricted by the donor or subject to legal restrictions. An assessment for management and general, and fund-raising costs is applied against temporarily restricted and permanently restricted gifts. Bequests are reported as income at the time HTH has an established right to the bequest and the proceeds are measurable.

All other revenue is reported when earned.

CONTRIBUTED PROPERTY, EQUIPMENT, SUPPLIES AND SERVICES

HTH reports gifts of property, equipment and supplies as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as temporarily restricted support. HTH reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

The values of donated property, equipment and supplies are based upon their estimated fair values. Gifts-in-kind of property, equipment and supplies having values of \$16,620 and \$3,710 have been reported as part of gifts-in-kind contributions in the statements of activities for the years ended December 31, 2014 and 2013, respectively. Also included in gifts-in-kind revenue is the estimated fair rental value of \$12,000 for both 2014 and 2013 for leased office space (Note 5).

A substantial number of unpaid health care professionals and short-term workers have made significant contributions of their time to HTH, principally in overseas medical services. HTH has also been provided with information technology services. These services have been reported as contributions based on the estimated fair value of the services performed. Donated services were reported as part of gifts-in-kind revenue and allocated to expenses in the amounts of \$91,339 and \$127,478 during 2014 and 2013, respectively.

FUNCTIONAL ALLOCATION OF EXPENSES

Expenses are reported when incurred. The costs of providing the various program services and supporting activities of HTH have been summarized on a functional basis in the consolidated statements of activities. Accordingly, certain costs have been allocated among the program services and supporting activities, based on the use of facilities, level of support effort or the relative benefit received by each of the programs and supporting ministries.

HEART TO HONDURAS, INC.

Notes to Consolidated Financial Statements

December 31, 2014 and 2013

3. PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	December 31, 2014		
	Headquarters	Honduras	Total
Land	\$ -	\$ 510,515	\$ 510,515
Land improvements	-	315,023	315,023
Buildings and leasehold improvements	347,318	820,031	1,167,349
Construction in progress	-	32,549	32,549
Furniture and equipment	45,632	74,790	120,422
Vehicles	1,500	191,038	192,538
	<u>394,450</u>	<u>1,943,946</u>	<u>2,338,396</u>
Accumulated depreciation	<u>(142,723)</u>	<u>(526,422)</u>	<u>(669,145)</u>
	<u>\$ 251,727</u>	<u>\$ 1,417,524</u>	<u>\$ 1,669,251</u>

	December 31, 2013		
	Headquarters	Honduras	Total
Land	\$ -	\$ 531,833	\$ 531,833
Land improvements	-	315,023	315,023
Buildings and leasehold improvements	347,318	792,658	1,139,976
Construction in progress	-	45,649	45,649
Furniture and equipment	42,722	73,509	116,231
Vehicles	15,400	193,710	209,110
	<u>405,440</u>	<u>1,952,382</u>	<u>2,357,822</u>
Accumulated depreciation	<u>(147,943)</u>	<u>(518,047)</u>	<u>(665,990)</u>
	<u>\$ 257,497</u>	<u>\$ 1,434,335</u>	<u>\$ 1,691,832</u>

Management has reviewed the assets in Honduras and, in its opinion, has determined they are under the control and ownership of HTH. While such items are recognized as assets of HTH, it should be noted that the political situation in many other countries is subject to rapid change. While HTH believes the assets are properly stated at the date of this report, subsequent changes could occur that would adversely affect the realizable value of the assets in Honduras. In addition, the carrying value of the assets in Honduras may not represent the amount that could be realized should the assets be sold.

Several of the buildings in Honduras have been built by donated labor and with donated materials. According to U.S. generally accepted accounting principles, these assets have been reported at their estimated fair values as of the dates they were placed in service.

HEART TO HONDURAS, INC.

Notes to Consolidated Financial Statements

December 31, 2014 and 2013

4. NOTES PAYABLE

Notes payable consisted of four unsecured, non-interest bearing individual loans from HTH board members at the year ended December 31, 2013. These individual loans were to provide funding for a major fund-raising effort occurring in 2013. All four notes were donated to HTH during the year ended December 31, 2014.

5. LEASE AGREEMENTS

HTH leases a copier under a noncancelable operating lease agreement that expires in 2017 and required monthly payments of \$395 and \$375 in 2014 and 2013, respectively. Total rental expenses under this and a previous lease agreement during the years ended December 31, 2014 and 2013 were \$4,743 and \$4,501, respectively.

Future minimum rental payments required under this lease agreement are as follows:

<u>Years Ending December 31,</u>	
2015	\$ 4,743
2016	4,743
2017	<u>4,743</u>
	<u>\$ 14,229</u>

HTH has a long-term lease for its headquarters facility in Xenia, Ohio. The lease is for 99 years at an annual cost of \$1. This lease meets the criteria for a bargain lease. Therefore, the estimated fair rental value has been reported as both gift-in-kind revenue and an administrative expense in the statements of activities. The estimated fair value of the leased property was \$12,000 for each of the years ended December 31, 2014 and 2013, respectively.

HTH sub-leases a portion of its headquarters to another not-for-profit organization. This sub-lease is on a year-to-year basis that expires on January 31 and requires monthly payments of \$1,275.

The carrying value of sub-leased property is as follows:

	<u>December 31,</u>	
	<u>2014</u>	<u>2013</u>
Leasehold improvements	\$ 66,515	\$ 66,515
Less: accumulated depreciation	<u>(20,094)</u>	<u>(18,431)</u>
	<u>\$ 46,421</u>	<u>\$ 48,084</u>

6. LINE OF CREDIT

HTH has a \$35,000 unsecured line of credit, which is due on demand and subject to annual review by the bank. Amounts borrowed under this agreement bear interest at the bank's prime rate plus 4 percent (which equates to 4.25 percent at December 31, 2014 and 2013, respectively). HTH borrowed a total of \$27,000 and repaid \$52,000 on the line of credit during the year ended December 31, 2014. HTH borrowed a total of \$38,000 and repaid \$13,000 on the line of credit during the year ended December 31, 2013.

HEART TO HONDURAS, INC.

Notes to Consolidated Financial Statements

December 31, 2014 and 2013

7. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consists of:

	December 31,	
	2014	2013
Brazos Abiertos	\$ 21,367	\$ 17,427
Churches - Choloma/special fund	-	2,671
Community development	28,094	45,140
Education	6,734	811
Groups	31,274	21,388
Health care	2,689	3,862
Land development	815	-
Leadership development	-	7,077
Microeconomic heart fund	11,580	11,580
Ministries	122,898	305,023
North American missionaries	-	458
Projects	2,522	4,506
Projects - groups	79,068	38,563
School of Discipleship	6,011	-
Sister churches	25,252	27,954
The Big Picture	193,417	34,240
Widows homes	641	-
	<u>\$ 532,362</u>	<u>\$ 520,700</u>

8. RETIREMENT PLAN

HTH provides retirement benefits to its full-time staff with ministerial credentials through a defined contribution plan administered by Servant Solutions, a retirement plan governed by the General Assembly of the Church of God. Amounts contributed are approved by the board of directors. Contributions to the plan during the years ended December 31, 2014 and 2013 were \$26,338 and \$14,852, respectively.

9. SUBSEQUENT EVENTS

Management has evaluated subsequent events through August 14, 2015, which is the date the financial statements were available to be issued.

SUPPLEMENTARY DATA

HEART TO HONDURAS, INC.

Consolidating Statements of Financial Position

	December 31,							
	2014				2013			
	Heart To Honduras	Corazon' Para Honduras	Eliminations	Total	Heart To Honduras	Corazon' Para Honduras	Eliminations	Total
ASSETS								
Cash and cash equivalents	\$ 185,337	\$ 105,080	\$ -	\$ 290,417	\$ 112,850	\$ 27,515	\$ -	\$ 140,365
Accounts receivable	1,159	-	-	1,159	10	-	-	10
Contributions receivable	459,590	-	-	459,590	277,890	-	-	277,890
Prepaid expenses	3,115	-	-	3,115	92,221	-	-	92,221
Notes and other receivables	-	307	-	307	-	12,488	-	12,488
Inventory	4,070	942	-	5,012	14,381	2,099	-	16,480
Property held for sale	-	18,236	-	18,236	-	-	-	-
Property and equipment, net	251,727	1,417,524	-	1,669,251	257,497	1,434,335	-	1,691,832
Investment in Corazon' Para Honduras	1,500,813	-	(1,500,813)	-	1,441,064	-	(1,441,064)	-
Total Assets	<u>\$ 2,405,811</u>	<u>\$ 1,542,089</u>	<u>\$ (1,500,813)</u>	<u>\$ 2,447,087</u>	<u>\$ 2,195,913</u>	<u>\$ 1,476,437</u>	<u>\$ (1,441,064)</u>	<u>\$ 2,231,286</u>
LIABILITIES AND NET ASSETS								
Liabilities								
Accounts payable	\$ 13,509	1,217	\$ -	\$ 14,726	\$ 7,142	\$ -	\$ -	\$ 7,142
Accrued payroll taxes	6,075	3,432	-	9,507	7,155	1,644	-	8,799
Accrued severance pay	-	36,627	-	36,627	-	33,729	-	33,729
Notes payable	-	-	-	-	41,000	-	-	41,000
Line of credit	-	-	-	-	25,000	-	-	25,000
Total Liabilities	<u>19,584</u>	<u>41,276</u>	<u>-</u>	<u>60,860</u>	<u>80,297</u>	<u>35,373</u>	<u>-</u>	<u>115,670</u>
Net Assets								
Unrestricted								
Undesignated	1,742,205	(53,259)	(1,500,813)	188,133	1,414,508	(70,360)	(1,441,064)	(96,916)
Net investment in property and equipment	251,727	1,417,524	-	1,669,251	257,497	1,434,335	-	1,691,832
	<u>1,993,932</u>	<u>1,364,265</u>	<u>(1,500,813)</u>	<u>1,857,384</u>	<u>1,672,005</u>	<u>1,363,975</u>	<u>(1,441,064)</u>	<u>1,594,916</u>
Temporarily restricted	392,295	136,548	-	528,843	443,611	77,089	-	520,700
Total Net Assets	<u>2,386,227</u>	<u>1,500,813</u>	<u>(1,500,813)</u>	<u>2,386,227</u>	<u>2,115,616</u>	<u>1,441,064</u>	<u>(1,441,064)</u>	<u>2,115,616</u>
Total Liabilities and Net Assets	<u>\$ 2,405,811</u>	<u>\$ 1,542,089</u>	<u>\$ (1,500,813)</u>	<u>\$ 2,447,087</u>	<u>\$ 2,195,913</u>	<u>\$ 1,476,437</u>	<u>\$ (1,441,064)</u>	<u>\$ 2,231,286</u>

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

HEART TO HONDURAS, INC.

Consolidating Statement of Activities

For the Year Ended December 31, 2014

	Heart To Honduras			Corazon' Para Honduras			Eliminations	Total	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Unrestricted	Temporarily Restricted	Total			
SUPPORT AND REVENUE									
Contributions	\$ 953,232	\$ 1,097,503	\$ -	\$ 2,050,735	\$ 10,969	\$ 317,399	\$ 328,368	\$ -	\$ 2,379,103
Grants from Heart to Honduras	-	-	-	-	-	744,940	744,940	(744,940)	-
Gifts-in-kind	119,959	-	-	119,959	12,355	-	12,355	-	132,314
Investment income	275	-	-	275	8	-	8	-	283
Loss on disposal of assets	-	-	-	-	(120)	-	(120)	-	(120)
Merchandise sales, net of cost of goods sold of \$23,785 U.S., \$2,318 HON	484	-	-	484	1,633	-	1,633	-	2,117
Other revenue	-	-	-	-	38,476	-	38,476	-	38,476
Total Support and Revenue	1,073,950	1,097,503	-	2,171,453	63,321	1,062,339	1,125,660	(744,940)	2,552,173
RECLASSIFICATIONS									
Net assets released for:									
Administration cost assessment	33,490	(33,490)	-	-	-	-	-	-	-
Satisfaction of purpose restrictions	1,115,329	(1,115,329)	-	-	1,002,880	(1,002,880)	-	-	-
Total Reclassifications	1,148,819	(1,148,819)	-	-	1,002,880	(1,002,880)	-	-	-
Total Support, Revenue and Reclassifications	2,222,769	(51,316)	-	2,171,453	1,066,201	59,459	1,125,660	(744,940)	2,552,173
EXPENSES									
Program services	1,290,569	-	-	1,290,569	972,486	-	972,486	(744,940)	1,518,115
Supporting activities:									
Management and general	228,364	-	-	228,364	71,374	-	71,374	-	299,738
Fund-raising	441,658	-	-	441,658	18,977	-	18,977	-	460,635
Total Expenses	1,960,591	-	-	1,960,591	1,062,837	-	1,062,837	(744,940)	2,278,488
Change in Net Assets before Currency Exchange	262,178	(51,316)	-	210,862	3,364	59,459	62,823	-	273,685
Currency exchange	-	-	-	-	(3,074)	-	(3,074)	-	(3,074)
Change in Net Assets after Currency Exchange	262,178	(51,316)	-	210,862	290	59,459	59,749	-	270,611
Net Assets, Beginning of Year	230,941	443,611	-	674,552	1,363,975	77,089	1,441,064	-	2,115,616
Net Assets, End of Year	\$ 493,119	\$ 392,295	\$ -	\$ 885,414	\$ 1,364,265	\$ 136,548	\$ 1,500,813	\$ -	\$ 2,386,227

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

HEART TO HONDURAS, INC.

Consolidating Statement of Activities

For the Year Ended December 31, 2013

	Heart To Honduras			Corazon' Para Honduras			Eliminations	Total	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Unrestricted	Temporarily Restricted	Total			
SUPPORT AND REVENUE									
Contributions	\$ 713,190	\$ 1,361,323	\$ -	\$ 2,074,513	\$ 10,931	\$ 320,399	\$ 331,330	\$ -	\$ 2,405,843
Grants from Heart To Honduras	-	-	-	-	-	866,615	866,615	(866,615)	-
Gifts-in-kind	137,866	-	-	137,866	5,322	-	5,322	-	143,188
Investment (loss) income	(713)	937	-	224	-	-	-	-	224
Merchandise sales, net of cost of goods sold of \$2,701	21,748	-	-	21,748	3,795	-	3,795	-	25,543
Other revenue	-	-	-	-	8,955	-	8,955	-	8,955
Total Support and Revenue	872,091	1,362,260	-	2,234,351	29,003	1,187,014	1,216,017	(866,615)	2,583,753
RECLASSIFICATIONS									
Net assets released for:									
Administration cost assessment	37,885	(37,885)	-	-	-	-	-	-	-
Release by donor from permanent restriction	36,000	-	(36,000)	-	-	-	-	-	-
Satisfaction of purpose restrictions	1,120,297	(1,120,297)	-	-	1,156,047	(1,156,047)	-	-	-
Total Reclassifications	1,194,182	(1,158,182)	(36,000)	-	1,156,047	(1,156,047)	-	-	-
Total Support, Revenue and Reclassifications	2,066,273	204,078	(36,000)	2,234,351	1,185,050	30,967	1,216,017	(866,615)	2,583,753
EXPENSES									
Program services	1,424,868	-	-	1,424,868	1,216,161	-	1,216,161	(866,615)	1,774,414
Supporting activities:									
Management and general	205,438	-	-	205,438	31,426	-	31,426	-	236,864
Fund-raising	402,669	-	-	402,669	11,057	-	11,057	-	413,726
Total Expenses	2,032,975	-	-	2,032,975	1,258,644	-	1,258,644	(866,615)	2,425,004
Change in Net Assets before Currency Exchange	33,298	204,078	(36,000)	201,376	(73,594)	30,967	(42,627)	-	158,749
Currency exchange	-	-	-	-	1,520	-	1,520	-	1,520
Change in Net Assets after Currency Exchange	33,298	204,078	(36,000)	201,376	(72,074)	30,967	(41,107)	-	160,269
Net Assets, Beginning of Year	197,643	239,533	36,000	473,176	1,436,049	46,122	1,482,171	-	1,955,347
Net Assets, End of Year	\$ 230,941	\$ 443,611	\$ -	\$ 674,552	\$ 1,363,975	\$ 77,089	\$ 1,441,064	\$ -	\$ 2,115,616

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