

Hearts and Hammers - Twin Cities, Inc.

St. Paul, Minnesota

Financial Statements
Auditor's Report
For the Year Ended
December 31, 2017



CERTIFIED PUBLIC ACCOUNTANTS

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Carpenter, Evert & Associates

Certified Public Accountants
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Independent Auditor's Report

Board of Directors
Hearts and Hammers - Twin Cities, Inc.
St. Paul, Minnesota

We have audited the accompanying financial statements of Hearts and Hammers - Twin Cities, Inc., which comprise the statement of financial position as of December 31, 2017, and the related statements of activities and changes in net assets, functional expense, and cash flows for the year 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 of 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 Hearts and Hammers - Twin Cities, Inc. as of December 31, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Carpenter Evert and Associates, LTD.
Certified Public Accountants

Minneapolis, Minnesota
April 6, 2018

HEARTS AND HAMMERS - TWIN CITIES, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2017

	Unrestricted	Temporarily Restricted	Total
Support and Revenue:			
Grants and Contributions	\$ 183,618	-	\$ 183,618
Special Events (Net of Expenses of \$32,789)	52,671	-	52,671
Interest Income	40	-	40
Other Revenue	176	-	176
Net Assets Released from Restrictions:			
Satisfaction of Restrictions	-	-	-
Total Support and Revenue	<u>236,505</u>	<u>-</u>	<u>236,505</u>
Expense:			
Project Expense	242,509	-	242,509
Support Services:			
Management and General	18,586	-	18,586
Fundraising	18,586	-	18,586
Total Support Services	<u>37,172</u>	<u>-</u>	<u>37,172</u>
Total Expense	<u>279,681</u>	<u>-</u>	<u>279,681</u>
Change in Net Assets	<u>(43,176)</u>	<u>-</u>	<u>(43,176)</u>
Net Assets - Beginning of Year	<u>185,638</u>	<u>-</u>	<u>185,638</u>
Net Assets - End of Year	<u>\$ 142,462</u>	<u>\$ -</u>	<u>\$ 142,462</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

HEARTS AND HAMMERS - TWIN CITIES, INC.
 STATEMENT OF FUNCTIONAL EXPENSE
 FOR THE YEAR ENDED DECEMBER 31, 2017

	Support Services				
	Total Project Expense	Management & General	Fund-raising	Total Support Services	Total All Services
Personnel Costs	\$ 83,192	\$ 10,399	\$ 10,399	\$ 20,798	\$ 103,990
Project Expense	93,813	-	-	-	93,813
Occupancy	28,022	3,503	3,503	7,006	35,028
Marketing and Advertising	11,482	1,435	1,435	2,870	14,352
Professional Fees	5,279	660	660	1,320	6,599
Software	3,395	424	424	848	4,243
Insurance	2,832	354	354	708	3,540
Travel	2,339	293	293	586	2,925
Office Supplies	2,323	291	291	582	2,905
Telephone and Internet	2,100	262	262	524	2,624
Office Expense	1,826	228	228	456	2,282
Meeting Meals	1,384	173	173	346	1,730
Bad Debts	1,277	159	159	318	1,595
Utilities	1,274	159	159	318	1,592
Miscellaneous	1,162	145	145	290	1,452
Postage and Mailing	411	51	51	102	513
Facility and Equipment	269	34	34	68	337
Memberships	120	15	15	30	150
Printing and Copying	9	1	1	2	11
Total Expense	\$ 242,509	\$ 18,586	\$ 18,586	\$ 37,172	\$ 279,681

The accompanying Notes to Financial Statements are an integral part of this statement.

HEARTS AND HAMMERS - TWIN CITIES, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2017

ASSETS

Current Assets:	
Cash and Cash Equivalents	\$ 129,717
Contributions Receivable	13,025
Prepaid Expenses	<u>10,075</u>
Total Current Assets	152,817
Property and Equipment - Net	<u>-</u>
TOTAL ASSETS	<u>\$ 152,817</u>

LIABILITIES AND NET ASSETS

Current Liabilities:	
Accounts Payable	\$ 1,695
Accrued Expenses	4,000
Accrued Salaries	500
Deferred Revenue	<u>4,160</u>
Total Current Liabilities	10,355
Net Assets:	
Unrestricted	<u>142,462</u>
Total Net Assets	<u>142,462</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 152,817</u>

The accompanying Notes to Financial Statements
are an integral part of this statement.

HEARTS AND HAMMERS - TWIN CITIES, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2017

Increase (Decrease) in Cash and Cash Equivalents

Cash Flows from Operating Activities:	
Change in Net Assets	\$ (43,176)
Total Adjustments	<u>(14,558)</u>
Net Cash (Used) by Operating Activities	(57,734)
Cash Flows from Investing Activities:	
None	-
Cash Flows from Financing Activities:	
None	<u>-</u>
Net (Decrease) in Cash and Cash Equivalents	(57,734)
Cash and Cash Equivalents - Beginning of Year	<u>187,451</u>
Cash and Cash Equivalents - End of Year	<u><u>\$ 129,717</u></u>

The accompanying Notes to Financial Statements
are an integral part of this statement.

HEARTS AND HAMMERS - TWIN CITIES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

1. Summary of Significant Accounting Policies

Organizational Purpose

Hearts and Hammers - Twin Cities, Inc. (the Organization) assists deserving homeowners with limited abilities, elderly, and military veterans by organizing teams of volunteers to paint and make exterior repairs and improvements to their homes at no cost to the homeowner so that they may continue living independently.

Fund Accounting

In order to observe the limitation and restrictions placed on resources available to the Organization, the accounts are maintained in accordance with the principles of fund accounting. This is the procedure whereby resources are classified for accounting and reporting purposes into net asset groupings established according to their nature and purpose. A description of the groupings is as follows:

Unrestricted Net Assets – Net assets which are neither permanently nor temporarily restricted by donor-imposed stipulations. These net assets include both board designated and undesignated amounts. Property and equipment is reported as unrestricted net assets.

Temporarily Restricted Net Assets – The part of net assets of the Organization resulting from contributions and other inflows of assets whose use is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions pursuant to those stipulations.

Promises-To-Give (Grants Receivable)

Unconditional promises-to-give are recognized in the period the promises are made. Conditional promises-to-give are recognized when the conditions on which they depend are substantially met, that is, when the conditional promise becomes unconditional.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

Accounts Receivable and Doubtful Accounts

The Organization extends credit to its customers on terms it establishes for individual customers. Receivables are recorded at amounts billed and are generally due when billed. Amounts outstanding for more than 30 days are considered delinquent. Accounts receivable are generally uncollateralized and the Organization does not charge interest on accounts receivable balances. The Organization reviews accounts receivable on a periodic basis and writes off delinquent receivables when they are considered uncollectible. The Organization does not have an allowance for doubtful accounts at December 31, 2017.

HEARTS AND HAMMERS - TWIN CITIES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

1. Summary of Significant Accounting Policies (continued)

Property and Equipment

All major expenditures for property and equipment over \$600 are capitalized at cost. Depreciation is provided through the use of the straight-line method over an estimated useful life.

Deferred Revenue

Deposits made for events in the following fiscal year are recorded as deferred revenue.

Contributions

Contributions are recorded when received and recognized as support in the period received. If donor-imposed restrictions accompany the contribution, the amount is recorded as temporarily or permanently restricted until the donor-imposed restrictions expire or are fulfilled. Temporarily restricted net assets are reclassified to unrestricted in the period donor-imposed restrictions expire or are fulfilled and are reported in the Statement of Activities under the Support and Revenue Category – Net Assets Released from Restrictions except when the receipt and expiration occur in the period in which case the contribution is shown as unrestricted.

Functional Allocation of Expense

Salaries and related expenses are allocated based on job descriptions and estimates. Expenses, other than salaries and related expenses, which are not directly identifiable by program or supporting service, are allocated based on the best estimates of management.

Income Tax

The Organization has a tax-exempt status under Section 501(c)(3) of the Internal Revenue Code and has adopted Accounting for Uncertainty in Income Taxes, ASC 740-10. The Organization's policy is to evaluate uncertain tax positions, at least annually, for the potential for income tax exposure from unrelated business income or from loss of nonprofit status. The Organization continues to operate consistent with its original exemption application and each year takes the necessary actions to maintain its exempt status. It has been classified as an organization that is not a private foundation under the Internal Revenue Code and charitable contributions by donors are tax deductible. In compliance with its exempt status, the Organization annually files a Return of Organization Exempt From Income Tax (Form 990). The returns for the year ending December 31, 2014 and later remain subject to examination by the Internal Revenue Service.

HEARTS AND HAMMERS - TWIN CITIES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

1. Summary of Significant Accounting Policies (continued)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events

The Organization has evaluated the effect that subsequent events would have on the financial statements through April 6, 2018, which is the date financial statements were available to be issued.

2. Significant Concentrations of Credit Risk

The Organization provides services within the Twin Cities area. The amounts due for services provided are from individuals, or their third-party payors, substantially all of whom are local residents. In addition, grants and contributions receivable are from local residents, governments or institutions.

3. Property and Equipment

The Organization owned the following assets as of December 31, 2017:

Trailers	\$ 4,000	<u>Estimated</u> 3-10 years
Vehicles	<u>5,000</u>	3-10 years
	9,000	
Less Accumulated Depreciation	<u>9,000</u>	
	<u>\$ -</u>	

There was no depreciation expense recorded for the year ended December 31, 2017.

HEARTS AND HAMMERS - TWIN CITIES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

4. In-kind Contributions

The Organization values in-kind contributions at fair market value at date of donation. In-kind contributions were as follows as of December 31, 2017:

Rent	\$ 9,665
Program Related Materials and Labor	5,453
Website Work	<u>3,843</u>
	<u>\$ 18,961</u>

5. Operating Leases

Rental commitments under a noncancelable lease for office space in effect at December 31, 2017 total \$75,097. The future annual rental commitments are as follows:

<u>Due in the Year Ending December 31,</u>	
2018	\$ 33,002
2019	33,644
2020	<u>8,451</u>
	<u>\$ 75,097</u>

Rent expense of \$35,028 was recorded for the year ended December 31, 2017.

6. Cash Flow Operating Adjustments

Adjustments to reconcile Change in Net Assets to Net Cash (Used) by Operating Activities were as follows as of December 31, 2017:

Loss on Disposal of Property	\$ 16,223
Increases (Decreases) in Current Liabilities:	
Accounts Payable	(1,548)
Accrued Expenses	4,000
Accrued Salaries	(22,439)
Deferred Revenue	4,160
Decreases (Increases) in Current Assets:	
Contributions Receivable	(4,880)
Prepaid Expenses	<u>(10,074)</u>
Total Adjustments	<u>\$ (14,558)</u>