



**HEART TO HONDURAS, INC.**

**FINANCIAL STATEMENTS**

**With Independent Auditors' Report**

**December 31, 2023 and 2022**

# **HEART TO HONDURAS, INC.**

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# HEART TO HONDURAS, INC.

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## INDEPENDENT AUDITORS' REPORT

**Board of Directors**  
**Heart to Honduras, Inc.**  
**Tequesta, Florida**

### OPINION

We have audited the financial statements of Heart to Honduras, Inc., which consist of the statements of financial position as of December 31, 2023 and 2022, the related statements of activities, functional expenses and cash flows for the years then ended and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Heart to Honduras, Inc. as of December 31, 2023 and 2022 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 (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Heart to Honduras, Inc. 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.

### CHANGE IN ACCOUNTING PRINCIPLE

As discussed in Note 5 to the financial statements, Heart to Honduras, Inc. adopted Financial Accounting Standards Board Accounting Standards Update No. 2016-02, *Leases (Topic 842)*, as amended during the year ended December 31, 2023. Our conclusion is not modified with respect to this matter.

### 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 Heart to Honduras, Inc.'s ability to continue as a going concern for one year after the date the financial statements are issued.

### AUDITORS' 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 GAAS 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.

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## INDEPENDENT AUDITORS' REPORT, continued

In performing an audit in accordance with GAAS, 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 Heart to Honduras, Inc.'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 Heart to Honduras, Inc.'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.



Wyoming, Michigan  
April 23, 2024

# HEART TO HONDURAS, INC.

## Statements of Financial Position

	December 31,	
	2023	2022
ASSETS		
Cash and cash equivalents	\$ 227,247	\$ 282,963
Prepaid expenses	2,913	4,333
	<u>230,160</u>	<u>287,296</u>
Property and equipment		
Leasehold improvements	357,706	357,706
Furniture and equipment	30,200	30,200
Accumulated depreciation	(211,106)	(200,906)
Property and equipment, net	<u>176,800</u>	<u>187,000</u>
Total Assets	<u>\$ 406,960</u>	<u>\$ 474,296</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Deferred revenue	\$ 2,417	\$ 2,417
Total Liabilities	<u>2,417</u>	<u>2,417</u>
Net Assets		
Without donor restrictions		
Undesignated	50,043	145,241
Net investment in property and equipment	176,800	187,000
	<u>226,843</u>	<u>332,241</u>
With donor restrictions	177,700	139,638
Total Net Assets	<u>404,543</u>	<u>471,879</u>
Total Liabilities and Net Assets	<u>\$ 406,960</u>	<u>\$ 474,296</u>

See accompanying notes and independent auditors' report

# HEART TO HONDURAS, INC.

## Statements of Activities

	Years Ended December 31,					
	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE						
Contributions	\$ 255,485	\$ 261,049	\$ 516,534	385,846	269,027	\$ 654,873
Gifts-in-kind	50,490	-	50,490	50,910	-	50,910
Rent	29,004	-	29,004	28,112	-	28,112
Total Support and Revenue	334,979	261,049	596,028	464,868	269,027	733,895
RECLASSIFICATIONS						
Net assets released for:	-	-	-	1,000	(1,000)	-
Administration cost assessment						
Satisfaction of purpose restrictions	222,987	(222,987)	-	277,519	(277,519)	-
Total Reclassifications	222,987	(222,987)	-	278,519	(278,519)	-
EXPENSES						
Program	451,485	-	451,485	490,016	-	490,016
Management and general	116,669	-	116,669	128,584	-	128,584
Fund-raising	95,210	-	95,210	94,495	-	94,495
Total Expenses	663,364	-	663,364	713,095	-	713,095
Change in Net Assets	(105,398)	38,062	(67,336)	30,292	(9,492)	20,800
Net Assets, Beginning of Year	332,241	139,638	471,879	301,949	149,130	451,079
Net Assets, End of Year	\$ 226,843	\$ 177,700	\$ 404,543	\$ 332,241	\$ 139,638	\$ 471,879

See accompanying notes and independent auditors' report

# HEART TO HONDURAS, INC.

## Statements of Functional Expenses

	Years Ended December 31,							
	2023			2022				
	Program	Management and General	Fund-Raising	Total Expenses	Program	Management and General	Fund-Raising	Total Expenses
Payments made to or on behalf of								
Corazon Para Honduras	\$ 268,460	\$ -	\$ -	\$ 268,460	\$ 274,554	\$ -	\$ -	\$ 274,554
Salaries and wages	126,460	25,520	57,420	209,400	154,585	23,377	55,588	233,550
Retirement plan contributions	13,440	2,280	5,880	21,600	14,360	1,660	5,180	21,200
Other employee benefits	147	29	67	243	230	34	82	346
Payroll taxes	4,962	1,615	2,710	9,287	7,459	1,476	2,693	11,628
Professional services - accounting	-	10,600	-	10,600	-	18,850	-	18,850
Professional services - fundraising	-	-	10,605	10,605	-	-	-	-
Advertising and promotion	9,115	61	5,356	14,532	7,100	11	21,976	29,087
Office	4,797	6,586	2,671	14,054	7,628	10,897	3,607	22,132
Information technology	3,807	768	1,729	6,304	3,064	463	1,101	4,628
Occupancy	-	65,266	-	65,266	-	67,533	-	67,533
Travel	10,373	2,071	4,657	17,101	10,040	1,521	3,610	15,171
Conferences and meetings	1,035	275	519	1,829	-	-	-	-
Depreciation	6,160	1,243	2,797	10,200	7,457	2,485	-	9,942
Insurance	1,759	355	799	2,913	1,829	277	658	2,764
Direct program	970	-	-	970	1,710	-	-	1,710
Total Expenses	\$ 451,485	\$ 116,669	\$ 95,210	\$ 663,364	\$ 490,016	\$ 128,584	\$ 94,495	\$ 713,095

See accompanying notes and independent auditors' report



# HEART TO HONDURAS, INC.

## Statements of Cash Flows

	Years Ended December 31,	
	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (67,336)	\$ 20,800
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
Depreciation expense	10,200	9,942
Change in:		
Prepaid expenses	1,420	1,339
Deferred revenue	-	892
Net Cash (Used) Provided by Operating Activities	(55,716)	32,973
Change in Cash and Cash Equivalents	(55,716)	32,973
Cash and Cash Equivalents, Beginning of Year	282,963	249,990
Cash and Cash Equivalents, End of Year	\$ 227,247	\$ 282,963

See accompanying notes and independent auditors' report

# HEART TO HONDURAS, INC.

## Notes to Financial Statements

December 31, 2023 and 2022

### 1. NATURE OF ORGANIZATION

Heart to Honduras, Inc. (HTH) is a holistic ministry, centered in Christ, resourced by passionate partners. With a vision to form disciples that will transform their world, HTH partners with churches, educational and civic organizations, individuals and business to help the Honduran people realize their potential and to enable them to become agents of change in their communities. HTH is equipping communities with sustainable models of work and development to provide clean water, secure housing, accessible medical care, a consistent food supply, adequate fair employment, as well as spiritual and educational opportunities. HTH accomplishes its mission primarily by providing financial support and holistic partnership to Corazon Para Honduras Internacional, which operates as an independent non-governmental not-for-profit entity in Honduras.

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.

HTH is supported primarily by contributions.

### 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.

#### CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of bank checking, savings and money market accounts. Balances in the bank accounts may at times exceed federally insured limits. HTH has not experienced any losses in these accounts and management believes it is not exposed to any significant credit risk.

#### PREPAID EXPENSES

Prepaid expenses are expenditures paid prior to the end of the fiscal year but which benefit the following fiscal year. Prepaid expenses at December 31, 2023 consist of payments for insurance, software and building rent and at December 31, 2022 of insurance, software, building rent and consulting fees.

#### PROPERTY AND EQUIPMENT

Property and equipment is reported at cost, estimated cost or fair value. Expenditures for property and equipment in excess of \$1,000 and having estimated useful lives of three years or more are capitalized at cost when purchased. Donated items are reported at their estimated fair values as of the date the gifts are received. Depreciation is reported using the straight-line method over the estimated useful lives of the assets, which range from three to forty years. Depreciation expense was \$10,200 and \$9,942 for the years ended December 31, 2023 and 2022, respectively.

#### DEFERRED REVENUE

Deferred revenue consists of January rent payments received from the tenant in December.

# HEART TO HONDURAS, INC.

## Notes to Financial Statements

December 31, 2023 and 2022

### 2. SIGNIFICANT ACCOUNTING POLICIES, continued

#### NET ASSETS

Net assets, revenues, gains and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes in net assets therein are classified as reported as follows:

NET ASSETS WITHOUT DONOR RESTRICTIONS are net assets available for use in general operations and not subject to donor or certain grantor-imposed restrictions. The governing board has not designated any net assets without donor restrictions for specific purposes.

NET ASSETS WITH DONOR RESTRICTIONS are net assets subject to donor or certain grantor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates the resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource for which the resource was restricted has been fulfilled or both.

#### SUPPORT AND REVENUE

Rent revenue is reported when earned, recorded when due from the tenant as of the first day of each month and deemed to be earned ratably throughout the month.

Contributions are recognized when cash, securities or other assets, an unconditional promise to give or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

Contributions of assets other than cash and services are reported at their estimated fair value. HTH reports donations of property and equipment as contributions without donor restriction unless the donor has restricted the donated asset to a specific purpose. Property and equipment donated with restrictions regarding their use and contributions of cash to acquire property are reported as contributions with donor restrictions.

All other revenues are recorded when earned.

#### GIFTS IN KIND

For both years ended December 31, 2023 and 2022, HTH reports as an in-kind contribution the excess of the estimated fair rental value of leased office space over the rent paid, which for both years ended December 31, 2023 and 2022 is \$48,000 (Note 5).

#### CONTRIBUTED SERVICES

For the years ended December 31, 2023 and 2022, contributed services that require specialized medical and graphic design skills are reflected in the statements of activities at their estimated fair value of \$2,490 and \$2,910, respectively.

During the years ended December 31, 2023 and 2022, 118 and 20 individuals in 11 and 4 groups provided approximately 3,300 and 560 hours of volunteer support to HTH, respectively, having a total estimated value of \$99,000 and \$16,000 respectively. However, the value of these services is not reflected in the financial statements because the services do not meet the definition of donated professional services under generally accepted accounting principles. Volunteers participate in various activities including youth camp and sports programs, disaster relief, building and repair projects, agricultural initiatives and leadership training programs.

# HEART TO HONDURAS, INC.

## Notes to Financial Statements

December 31, 2023 and 2022

### 2. SIGNIFICANT ACCOUNTING POLICIES, continued

#### FUNCTIONAL ALLOCATION OF EXPENSES

Expenses are reported when incurred, that is, when the purchased goods or services have been received.

The costs of program, management and fund-raising activities have been summarized on a functional basis in the consolidated statements of activities. The consolidated statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the program, management and fund-raising activities benefitting from those expenditures.

Certain categories of expenses are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and wages, payroll taxes, professional services, office expenses, information technology, occupancy and depreciation which are allocated based on the guidelines defining the nature of program, management and fund-raising expenses and estimates of time, effort and utilization.

#### LIQUIDITY AND AVAILABILITY

HTH has financial assets available within one year of the statement of financial position date to meet cash needs for general expenditure as detailed below. The amounts shown below are net of financial assets required to meet donor or other contractual restrictions that make them unavailable for general expenditure within one year of the statement of financial position date.

	December 31,	
	2023	2022
Cash and cash equivalents	\$ 227,247	\$ 282,963
Less:		
Net assets with donor restrictions	(177,700)	(139,638)
	<u>\$ 49,547</u>	<u>\$ 143,325</u>

HTH maintains bank checking accounts for liquidity management.

### 3. 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 four percent (which equates to 8.50 percent and 4.25 percent at December 31, 2023 and 2022, respectively). HTH did not utilize the line of credit during the years ended December 31, 2023 and 2022.

# HEART TO HONDURAS, INC.

## Notes to Financial Statements

December 31, 2023 and 2022

### 4. RETIREMENT PLAN

HTH provides retirement benefits to qualified staff through a 403(b) defined contribution plan administered by Servant Solutions, which is a retirement plan governed by the General Assembly of the Church of God. HTH board of directors determines the amount to contribute annually. Contributions to the plan during the years ended December 31, 2023 and 2022 were \$21,600 and \$21,200, respectively.

### 5. LEASE AGREEMENTS

During the year ended December 31, 2023, HTH adopted Financial Accounting Standards Board Accounting Standards Update No. 2016-02, *Leases (Topic 842)*, as amended. This guidance is intended to improve financial reporting of lease transactions by requiring organizations that lease assets to recognize assets and liabilities for the rights and obligations created by leases that extend more than twelve months. Key provisions in this guidance include additional disclosures surrounding the amount, timing and uncertainty of cash flows arising from leases. This change in accounting principle has been applied retrospectively.

HTH entered into an agreement in November 2001 to lease a building in Xenia, Ohio for 99 years for \$1 per year. Because the valuation of this agreement as prescribed by *Topic 842* is insignificant, HTH has not recognized a right-of-use asset nor a lease liability.

This lease also 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 \$48,000 for both years ended December 31, 2023 and 2022.

HTH has been sub-leasing a portion of its headquarters to another nonprofit organization since January 2019. This agreement was extended in January 2022 through January 2025. Monthly payments under this agreement are \$1,525 through January 2022 and are \$2,417 thereafter through January 2025. Minimum future rental revenues from this lease are as follows:

<u>Year Ending December 31,</u>	
2024	\$ 29,004
2025	<u>2,417</u>
	<u>\$ 31,421</u>

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

	<u>December 31,</u>	
	<u>2023</u>	<u>2022</u>
Leasehold improvements	\$ 66,515	\$ 66,515
Less: accumulated depreciation	<u>(33,398)</u>	<u>(31,735)</u>
	<u>\$ 33,117</u>	<u>\$ 34,780</u>

# HEART TO HONDURAS, INC.

## Notes to Financial Statements

December 31, 2023 and 2022

### 6. NET ASSETS WITH DONOR RESTRICTIONS

Changes in and year-end balances of net assets with donor restrictions are as follows:

	December 31, 2021 (Reviewed)	Contributions	Released From Restriction	December 31, 2022
Church community initiatives	\$ 5,945	\$ 3,300	\$ 3,943	\$ 5,302
Communities of holistic impact	8,478	944	9,422	-
Communities of holistic impact - 1	-	31,260	6,585	24,675
Communities of holistic impact - 2	-	10,889	(2,662)	13,551
Communities of holistic impact - POETA	30,000	-	30,000	-
Communities of transformational unity	20,700	18,650	6,208	33,142
Community development	687	24,831	17,111	8,407
Discipleship formation	2,332	12,912	12,829	2,415
Health care	7,536	1,650	3,650	5,536
Hurricane recovery	32,417	-	32,417	-
Leadership development	2,977	-	-	2,977
Microeconomics	1,580	-	-	1,580
North American teams program	23,105	86,246	68,911	40,440
Pastor support	6,910	16,050	22,810	150
Rebuild and restore	5,000	-	5,000	-
Soccer with values	-	17,102	17,102	-
Staff support	-	45,193	45,193	-
Training	1,463	-	-	1,463
	<u>\$ 149,130</u>	<u>\$ 269,027</u>	<u>\$ 278,519</u>	<u>\$ 139,638</u>

# HEART TO HONDURAS, INC.

## Notes to Financial Statements

December 31, 2023 and 2022

### 7. NET ASSETS WITH DONOR RESTRICTIONS, continued

	December 31, 2022	Contributions	Released From Restriction	December 31, 2023
CEI Santa Elena	\$ -	\$ 2,775	\$ 749	\$ 2,026
Church community initiatives	5,302	2,400	10	7,692
Communities of holistic impact - 1	24,675	32,210	17,369	39,516
Communities of holistic impact - 2	13,551	62,910	8,596	67,865
Communities of transformational unity	33,142	65,962	64,907	34,197
Community development	8,407	-	8,407	-
Discipleship formation	2,415	120	1,244	1,291
Health care	5,536	1,000	450	6,086
Leadership development	2,977	-	-	2,977
Microeconomics	1,580	-	-	1,580
North American teams program	40,440	77,886	118,326	-
Pastor support	150	300	450	-
Soccer with values	-	2,550	2,312	238
Staff support	-	4,000	-	4,000
Training	1,463	-	-	1,463
Unidos campaign	-	8,936	167	8,769
	<u>\$ 139,638</u>	<u>\$ 261,049</u>	<u>\$ 222,987</u>	<u>\$ 177,700</u>

### 8. CONCENTRATION

For the years ended December 31, 2023 and 2022, the top five donors provided approximately 42 and 40 percent of total contributions, respectively.

### 9. SUBSEQUENT EVENTS

Management has evaluated for potential recognition or disclosure in these financial statements subsequent events and transactions occurring through April 23, 2024, the date these financial statements were available to be issued.