



HEART TO HONDURAS, INC.

FINANCIAL STATEMENTS

With Independent Auditors' Report

December 31, 2024 and 2023

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, 2024 and 2023, 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, 2024 and 2023 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.

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.

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.

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INDEPENDENT AUDITORS' REPORT, continued

- 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
March 29, 2025

HEART TO HONDURAS, INC.

Statements of Financial Position

	December 31,	
	2024	2023
ASSETS		
Cash and cash equivalents	\$ 384,031	\$ 227,247
Prepaid expenses	2,913	2,913
	<u>386,944</u>	<u>230,160</u>
Property and equipment		
Leasehold improvements	366,287	357,706
Furniture and equipment	30,200	30,200
Accumulated depreciation	(221,136)	(211,106)
Property and equipment, net	<u>175,351</u>	<u>176,800</u>
Total Assets	<u>\$ 562,295</u>	<u>\$ 406,960</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Deferred revenue	\$ -	\$ 2,417
Total Liabilities	<u>-</u>	<u>2,417</u>
Net Assets		
Without donor restrictions		
Undesignated	181,377	50,043
Net investment in property and equipment	175,351	176,800
	<u>356,728</u>	<u>226,843</u>
With donor restrictions	205,567	177,700
Total Net Assets	<u>562,295</u>	<u>404,543</u>
Total Liabilities and Net Assets	<u>\$ 562,295</u>	<u>\$ 406,960</u>

See accompanying notes and independent auditors' report

HEART TO HONDURAS, INC.

Statements of Activities

	Years Ended December 31,					
	2024			2023		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE						
Contributions	\$ 420,488	\$ 219,181	\$ 639,669	255,485	261,049	\$ 516,534
Gifts-in-kind	66,360	-	66,360	50,490	-	50,490
Rent	29,004	-	29,004	29,004	-	29,004
Total Support and Revenue	515,852	219,181	735,033	334,979	261,049	596,028
RECLASSIFICATIONS						
Net assets released for satisfaction of purpose restrictions	191,314	(191,314)	-	222,987	(222,987)	-
Total Reclassifications	191,314	(191,314)	-	222,987	(222,987)	-
EXPENSES						
Program	363,788	-	363,788	445,396	-	445,396
Management and general	127,726	-	127,726	125,574	-	125,574
Fund-raising	85,767	-	85,767	92,394	-	92,394
Total Expenses	577,281	-	577,281	663,364	-	663,364
Change in Net Assets	129,885	27,867	157,752	(105,398)	38,062	(67,336)
Net Assets, Beginning of Year	226,843	177,700	404,543	332,241	139,638	471,879
Net Assets, End of Year	\$ 356,728	\$ 205,567	\$ 562,295	\$ 226,843	\$ 177,700	\$ 404,543

See accompanying notes and independent auditors' report

HEART TO HONDURAS, INC.

Statements of Functional Expenses

	Years Ended December 31,											
	2024			2023								
	Program	Management and General	Fund-Raising	Total Expenses	Program	Management and General	Fund-Raising	Total Expenses				
Payments made to or on behalf of	\$	175,800	\$	-	\$	175,800	\$	268,576	\$	-	\$	268,576
Corazon Para Honduras		125,200		25,100		207,000		126,460		57,420		209,400
Salaries and wages		13,440		2,280		21,600		13,440		5,880		21,600
Retirement plan contributions		356		71		588		147		66		243
Other employee benefits		4,865		1,584		9,104		4,962		1,616		9,288
Payroll taxes		-		10,500		10,500		-		10,600		10,600
Professional services - accounting		10,005		54		20,770		9,116		60		25,137
Advertising and promotion		3,686		7,742		13,716		4,797		6,586		14,054
Office		4,552		913		7,527		3,807		768		6,304
Information technology		-		67,102		67,102		-		65,266		65,266
Occupancy		9,962		1,997		16,471		10,257		2,070		16,984
Travel		-		-		-		1,105		223		1,829
Conferences and meetings		-		-		-		-		10,200		10,200
Depreciation		-		10,030		10,030		-		355		2,913
Insurance		1,762		353		2,913		1,759		799		2,913
Direct program		14,160		-		14,160		970		-		970
Total Expenses	\$	363,788	\$	127,726	\$	577,281	\$	445,396	\$	125,574	\$	663,364

See accompanying notes and independent auditors' report

HEART TO HONDURAS, INC.

Statements of Cash Flows

	Years Ended December 31,	
	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 157,752	\$ (67,336)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation expense	10,030	10,200
Change in:		
Prepaid expenses	-	1,420
Deferred revenue	(2,417)	-
Net Cash Provided (Used) by Operating Activities	165,365	(55,716)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(8,581)	-
	(8,581)	-
Change in Cash and Cash Equivalents	156,784	(55,716)
Cash and Cash Equivalents, Beginning of Year	227,247	282,963
Cash and Cash Equivalents, End of Year	\$ 384,031	\$ 227,247

See accompanying notes and independent auditors' report

HEART TO HONDURAS, INC.

Notes to Financial Statements

December 31, 2024 and 2023

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 (CPH), 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, 2024 consist of payments for insurance, software and building rent and at December 31, 2023 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 \$10,030 and \$10,200 for the years ended December 31, 2024 and 2023, respectively.

DEFERRED REVENUE

Deferred revenue at December 31, 2023 consists of January rent payments received from the tenant in December.

HEART TO HONDURAS, INC.

Notes to Financial Statements

December 31, 2024 and 2023

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.

During the year ended December 31, 2024, CPH sold property in Canchias, Honduras. Its board approved sharing a portion of the proceeds from the sale with HTH and therefore distributed to HTH \$90,893, which is included on the statements of activities in contribution revenue for the year ended December 31, 2024.

All other revenues are recorded when earned.

GIFTS IN KIND

For both years ended December 31, 2024 and 2023, 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, 2024 and 2023 is \$48,000 (Note 5).

CONTRIBUTED SERVICES

For the year ended December 31, 2024, HTH received contributed services requiring specialized skills in the areas of communications, medical care and accounting, agricultural, art and sports education and training. For the year ended December 31, 2023, HTH received contributed services requiring specialized skills in the areas of graphic design and accounting, agricultural and sports education and training. The estimated fair value of these services of \$18,360 and \$2,490 have been recognized as gifts-in-kind on the statements of activities for the years ended December 31, 2024 and 2023, respectively.

HEART TO HONDURAS, INC.

Notes to Financial Statements

December 31, 2024 and 2023

2. SIGNIFICANT ACCOUNTING POLICIES, continued

CONTRIBUTED SERVICES, continued

During the years ended December 31, 2024 and 2023, 112 and 118 individuals in 8 and 11 groups provided approximately 3,100 and 3,300 hours of volunteer support to HTH, respectively, having a total estimated value of \$105,000 and \$105,100 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.

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,	
	2024	2023
Cash and cash equivalents	\$ 384,031	\$ 227,247
Less:		
Net assets with donor restrictions	(205,567)	(177,700)
	<u>\$ 178,464</u>	<u>\$ 49,547</u>

HTH maintains bank checking accounts for liquidity management.

RECLASSIFICATIONS

Certain reclassifications, specifically changes in the functional allocation of expenses, have been made to the prior year's financial statements to conform to the current year's presentation. These reclassifications had no effect on previously reported activities or net assets.

HEART TO HONDURAS, INC.

Notes to Financial Statements

December 31, 2024 and 2023

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 at both December 31, 2024 and 2023). HTH did not utilize the line of credit during the years ended December 31, 2024 and 2023.

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 both years ended December 31, 2024 and 2023 were \$21,600.

5. LEASE AGREEMENTS

During the year ended December 31, 2024, 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.

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, 2024 and 2023.

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.

The sub-lease was renewed in January 2025 through January 2027, requiring monthly payments of \$2,417.

Minimum future rental revenues from this lease, including the January 2025 renewal agreement terms are as follows:

<u>Year Ending December 31,</u>		
2025	\$	29,004
2026		29,004
2027		<u>2,417</u>
	\$	<u><u>60,425</u></u>

HEART TO HONDURAS, INC.

Notes to Financial Statements

December 31, 2024 and 2023

5. LEASE AGREEMENTS, continued

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

	December 31,	
	2024	2023
Leasehold improvements	\$ 66,515	\$ 66,515
Less: accumulated depreciation	(36,724)	(35,061)
	<u>\$ 29,791</u>	<u>\$ 31,454</u>

6. NET ASSETS WITH DONOR RESTRICTIONS

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

	December 31,		Released From Restriction and Transfers	December 31,
	2022	Contributions		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>

HEART TO HONDURAS, INC.

Notes to Financial Statements

December 31, 2024 and 2023

6. NET ASSETS WITH DONOR RESTRICTIONS, continued

	December 31, 2023	Contributions	Released From Restriction and Transfers	December 31, 2024
CEI Santa Elena	\$ 2,026	\$ 3,513	\$ 4,826	\$ 713
Church community initiatives	7,692	-	7,692	-
Communities of holistic impact - 1	39,516	16,523	9,268	46,771
Communities of holistic impact - 2	67,865	45,100	23,240	89,725
Communities of transformational unity	34,197	43,583	38,838	38,942
Community development	-	8,943	4,180	4,763
Discipleship formation	1,291	110	(1,464)	2,865
Economic development	-	10,000	(1,580)	11,580
Health care	6,086	2,836	7,330	1,592
Leadership development	2,977	-	400	2,577
Microeconomics	1,580	-	1,580	-
North American teams program	-	69,561	69,561	-
Soccer with values	238	15,412	9,611	6,039
Staff support	4,000	3,600	7,600	-
Training	1,463	-	1,463	-
Unidos campaign	8,769	-	8,769	-
	<u>\$ 177,700</u>	<u>\$ 219,181</u>	<u>\$ 191,314</u>	<u>\$ 205,567</u>

7. CONCENTRATION

For the years ended December 31, 2024 and 2023, the top five donors provided approximately 50 and 42 percent of total contributions, respectively.

8. SUBSEQUENT EVENTS

Management has evaluated for potential recognition or disclosure in these financial statements subsequent events and transactions occurring through March 29, 2025, the date these financial statements were available to be issued.