

The Mended Hearts, Inc.
Financial Statements
For the Year Ended December 31, 2014

The Mended Hearts, Inc.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
The Mended Hearts, Inc.

We have audited the accompanying financial statements of The Mended Hearts, Inc. (a nonprofit organization) which comprise the statement of financial position as of December 31, 2014, and the related statements of activities, cash flows, and functional expenses for the year then ended, and 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 from 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 The Mended Hearts, Inc. as of December 31, 2014, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Berwick, Myers, Armstrong & Co., P.C.

Dallas, Texas
June 24, 2015

THE MENDED HEARTS, INC.
STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Totals</u>
<u>ASSETS</u>				
CURRENT ASSETS				
Cash and cash equivalents	\$ 481,038	\$ 436,044	\$ -	\$ 917,082
Short-term investments	151,034	-	-	151,034
Accounts receivable, net	45,297	50,000	-	95,297
Inventory	-	88,004	-	88,004
Prepaid expenses and other assets	25,677	-	-	25,677
Total current assets	<u>703,046</u>	<u>574,048</u>	<u>-</u>	<u>1,277,094</u>
PROPERTY, PLANT & EQUIPMENT				
Property plant & equipment	25,191	-	-	25,191
Less: Accumulated depreciation	(19,960)	-	-	(19,960)
	<u>5,231</u>	<u>-</u>	<u>-</u>	<u>5,231</u>
OTHER ASSETS				
Restricted cash	-	-	58,126	58,126
Intangible assets, net	51,431	-	-	51,431
	<u>51,431</u>	<u>-</u>	<u>58,126</u>	<u>109,557</u>
TOTAL ASSETS	<u>\$ 759,708</u>	<u>\$ 574,048</u>	<u>\$ 58,126</u>	<u>\$ 1,391,882</u>
CURRENT LIABILITIES:				
Accounts payable	\$ 96,552	\$ -	\$ -	\$ 96,552
Accrued payroll and other expenses	44,691	-	-	44,691
Due to chapters	14,943	-	-	14,943
Deferred revenue	43,451	-	-	43,451
Total liabilities	<u>199,637</u>	<u>-</u>	<u>-</u>	<u>199,637</u>
NET ASSETS:				
Unrestricted	560,071	-	-	560,071
Temporarily restricted	-	574,048	-	574,048
Permanently restricted	-	-	58,126	58,126
Total net assets	<u>560,071</u>	<u>574,048</u>	<u>58,126</u>	<u>1,192,245</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 759,708</u>	<u>\$ 574,048</u>	<u>\$ 58,126</u>	<u>\$ 1,391,882</u>

The accompanying notes are an integral part of these financial statements.

THE MENDED HEARTS, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Totals</u>
Support and Revenues				
Grants	\$ 171,333	\$ 1,044,100	\$ -	\$ 1,215,433
Membership dues	165,013	11,619	-	176,632
Conference income	68,710	-	-	68,710
Promotional materials	23,633	-	-	23,633
Endowment income	100	-	-	100
Contributions	167,715	-	-	167,715
Miscellaneous income	88,982	-	-	88,982
Investment income	10,904	-	-	10,904
Net assets released from restrictions				
Satisfaction of program restrictions	<u>654,066</u>	<u>(654,066)</u>	-	-
Total support and revenues	<u>1,350,456</u>	<u>401,653</u>	<u>-</u>	<u>1,752,109</u>
Expenses				
Program services	1,433,195	-	-	1,433,195
Management and general	274,604	-	-	274,604
Fundraising	<u>54,844</u>	<u>-</u>	<u>-</u>	<u>54,844</u>
Total expenses	<u>1,762,643</u>	<u>-</u>	<u>-</u>	<u>1,762,643</u>
Change in net assets	(412,187)	401,653	-	(10,534)
Net assets at beginning of year	<u>972,258</u>	<u>172,395</u>	<u>58,126</u>	<u>1,202,779</u>
Net assets at end of year	<u>\$ 560,071</u>	<u>\$ 574,048</u>	<u>\$ 58,126</u>	<u>\$ 1,192,245</u>

The accompanying notes are an integral part of these financial statements.

THE MENDED HEARTS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2014

	Programs		Management and	Fundraising	Totals
	Education	Convention	General		
Salaries and wages	\$ 431,828	\$ -	\$ 87,293	\$ 25,448	\$ 544,569
Payroll taxes	38,342	-	7,751	2,260	48,353
Employee benefits	104,930	-	21,211	6,183	132,324
Professional services	204,047	2,382	29,040	5,204	240,673
Supplies	20,475	6,376	5,209	4,531	36,591
Telephone	11,090	232	6,772	129	18,223
Printing	220,632	865	1,725	6,188	229,410
Postage and shipping	22,124	2,644	10,637	2,750	38,155
Occupancy	34,264	-	6,927	2,018	43,209
Rental maintenance	11,685	22,643	876	-	35,204
Region expenses	37,117	-	414	-	37,531
Hotels, meals & travel	109,706	131,469	9,878	133	251,186
Promotional materials	1,223	-	10,213	-	11,436
Bad debt expense	-	-	60,000	-	60,000
Other	16,918	2,203	16,658	-	35,779
Total expenses	<u>\$ 1,264,381</u>	<u>\$ 168,814</u>	<u>\$ 274,604</u>	<u>\$ 54,844</u>	<u>\$ 1,762,643</u>

The accompanying notes are an integral part of these financial statements.

THE MENDED HEARTS, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2014

Cash flows from operating activities:	
Change in net assets	\$ (10,534)
Adjustments to reconcile change in net assets to cash provided by operating activities:	
Depreciation expense	3,395
Amortization expense	1,469
Realized and unrealized gains on investments - net	(4,254)
(Increase)/decrease in assets:	
Receivables	39,471
Inventory	(11,022)
Prepays and other	50,838
Increase/(decrease) in liabilities:	
Accounts payable and accrued expenses	67,960
Due to chapters	(7,408)
Deferred revenue	37,917
Net cash provided by operating activities	<u>167,832</u>
Cash flows from investing activities:	
Purchases of investments	(5,712)
Purchases of intangible assets	(52,900)
Net cash used in investing activities	<u>(58,612)</u>
Net increase in cash and cash equivalents	109,220
Cash and cash equivalents at beginning of year	<u>807,862</u>
Cash and cash equivalents at end of year	<u>\$ 917,082</u>

No interest or income taxes were paid during the year ended December 31, 2014.

The accompanying notes are an integral part of these financial statements.