



ONE HEARTLAND, INC.
(A NOT-FOR-PROFIT ORGANIZATION)

FINANCIAL STATEMENTS

MARCH 31, 2018 AND 2017

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Carpenter, Evert & Associates

Certified Public Accountants
7760 France Avenue S. Suite 940 Bloomington Minnesota 55435
952.831.0085 carpenterevert.com

Independent Auditor's Report

Board of Directors
One Heartland, Inc.
Minneapolis, Minnesota

We have audited the accompanying financial statements of One Heartland, Inc. which comprise the statement of financial position as of March 31, 2018 and 2017, and the related statements of activities and changes in net assets, functional expense, and cash flows for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 One Heartland, Inc. as of March 31, 2018 and 2017, 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.

Carpenter, Evert & Associates, L.L.C.
Certified Public Accountants

Minneapolis, Minnesota
November 20, 2018

ONE HEARTLAND, INC.

STATEMENTS OF FINANCIAL POSITION

MARCH 31,	2018	2017
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 25,464	\$ 63,863
Pledges receivable, current, net	84,500	112,976
Prepaid expenses	3,774	2,846
<i>Total current assets</i>	113,738	179,685
OTHER ASSETS		
Unemployment reserves	23,069	17,063
Pledges receivable, long-term	30,000	60,000
<i>Total other assets</i>	53,069	77,063
PROPERTY AND EQUIPMENT, net	1,507,911	1,566,793
<i>Total assets</i>	\$ 1,674,718	\$ 1,823,541
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current portion of long term debt	\$ 35,183	\$ 34,504
Accounts payable	106,383	41,857
Line of credit	96,552	97,011
Accrued expenses and withholdings	19,043	13,034
Deferred income	2,625	4,480
<i>Total current liabilities</i>	259,786	190,886
LONG TERM DEBT, net, less current portion	451,047	628,851
<i>Total liabilities</i>	710,833	819,737
NET ASSETS		
Unrestricted	690,649	830,828
Temporarily restricted	273,236	172,976
<i>Total net assets</i>	963,885	1,003,804
<i>Total liabilities and net assets</i>	\$ 1,674,718	\$ 1,823,541

The Notes to Financial Statements are an integral part of these statements.

ONE HEARTLAND, INC.

STATEMENTS OF ACTIVITIES

YEAR ENDED MARCH 31, 2018

	Unrestricted	Temporarily Restricted	Total
REVENUE AND SUPPORT			
Contributions	\$ 610,229	\$ 213,236	\$ 823,465
Contributions in-kind	322,095	-	322,095
Students/Friends for Camp Heartland	29,512	-	29,512
Special event revenue, including in-kind donations of \$71,551	245,104	-	245,104
Less direct benefit to donor expenses, including in-kind donations of \$71,551	(132,610)	-	(132,610)
Program income	143,295	-	143,295
Rental income	159,166	-	159,166
Other revenues	11,379	-	11,379
Loss from uncollectible pledges	-	(25,000)	(25,000)
	1,388,170	188,236	1,576,406
Net assets released from restrictions	87,976	(87,976)	-
<i>Total revenue and support</i>	1,476,146	100,260	1,576,406
EXPENSES			
Program related	1,402,529	-	1,402,529
General and administrative	44,159	-	44,159
Fundraising	169,637	-	169,637
<i>Total expenses</i>	1,616,325	-	1,616,325
<i>Change in net assets</i>	(140,179)	100,260	(39,919)
Net Assets, beginning of year	830,828	172,976	1,003,804
<i>Net assets, end of year</i>	\$ 690,649	\$ 273,236	\$ 963,885

The Notes to Financial Statements are an integral part of these statements.

ONE HEARTLAND, INC.

STATEMENTS OF ACTIVITIES

YEAR ENDED MARCH 31, 2017

	Unrestricted	Temporarily Restricted	Total
REVENUE AND SUPPORT			
Contributions	\$ 448,395	\$ 147,976	\$ 596,371
Contributions in-kind	556,656	-	556,656
Students/Friends for Camp Heartland	63,235	-	63,235
Special event revenue, including in-kind donations of \$75,932	308,551	-	308,551
Less direct benefit to donor expenses, including in-kind donations of \$75,932	(144,978)	-	(144,978)
Program income	125,149	-	125,149
Rental income	128,079	-	128,079
Gain (loss) on disposal of assets	(16,620)	-	(16,620)
Other revenues	14,582	-	14,582
	<u>1,483,049</u>	<u>147,976</u>	<u>1,631,025</u>
Net assets released from restrictions	559,689	(559,689)	-
<i>Total revenue and support</i>	<u>2,042,738</u>	<u>(411,713)</u>	<u>1,631,025</u>
EXPENSES			
Program related	1,428,557	-	1,428,557
General and administrative	210,134	-	210,134
Fundraising	163,646	-	163,646
<i>Total expenses</i>	<u>1,802,338</u>	<u>-</u>	<u>1,802,338</u>
<i>Change in net assets</i>	<u>240,400</u>	<u>(411,713)</u>	<u>(171,313)</u>
Net Assets, beginning of year	590,428	584,689	1,175,117
<i>Net assets, end of year</i>	<u>\$ 830,828</u>	<u>\$ 172,976</u>	<u>\$ 1,003,804</u>

The Notes to Financial Statements are an integral part of these statements.

ONE HEARTLAND, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

YEAR ENDED MARCH 31, 2018

	Program Related Expenses	General and Administrative Expenses	Fundraising Expenses	Total
Salaries	\$ 423,670	\$ 25,522	\$ 61,254	\$ 510,446
Payroll taxes	31,028	1,869	4,486	37,383
Fringe benefits	25,436	1,532	3,677	30,645
Merchant expenses	1,422	-	1,789	3,211
Professional fees and consultants	65,308	4,898	15,704	85,910
Postage	1,605	232	3,115	4,952
Public relations, printing and marketing	214	19	17,018	17,251
Office supplies	1,677	92	685	2,454
Food and kitchen supplies	26,388	-	975	27,363
Telephone and internet	43,440	3,258	7,602	54,300
Utilities	44,128	-	-	44,128
Insurance	48,668	1,697	4,379	54,744
Rent	26,718	2,004	4,676	33,398
Equipment expense	40,372	659	1,281	42,312
Dues and subscription	983	-	1,339	2,322
Board/staff meetings and training	438	31	5,261	5,730
Travel	79,910	218	15,624	95,752
Camp fees and related expense	61,171	-	7	61,178
Bank fees	875	1,926	121	2,922
Fundraising events	173	-	16,596	16,769
In-kind contributions	318,047	-	4,048	322,095
Depreciation expense	136,539	-	-	136,539
Interest expense	24,319	-	-	24,319
Miscellaneous	-	202	-	202
Total expenses	\$ 1,402,529	\$ 44,159	\$ 169,637	\$ 1,616,325

The Notes to Financial Statements are an integral part of these statements.

ONE HEARTLAND, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

YEAR ENDED MARCH 31, 2017

	Program Related Expenses	General and Administrative Expenses	Fundraising Expenses	Total
Salaries	\$ 402,382	\$ 24,237	\$ 58,168	\$ 484,787
Payroll taxes	29,826	1,797	4,312	35,935
Fringe benefits	21,318	1,284	3,082	25,684
Merchant expenses	2,560	-	-	2,560
Professional fees and consultants	64,912	4,868	11,402	81,182
Postage	1,435	292	2,718	4,445
Public relations, printing and marketing	1,905	13	11,562	13,479
Office supplies	2,554	-	-	2,554
Food and kitchen supplies	26,333	-	-	26,333
Telephone and internet	36,604	2,692	6,395	45,691
Utilities	44,747	-	-	44,747
Insurance	51,117	1,782	4,600	57,499
Rent	26,952	2,021	4,717	33,690
Equipment expense	35,745	659	1,645	38,049
Maintenance and repairs	-	-	317	317
Dues and subscription	2,203	1	1,254	3,458
Board/staff meetings and training	1,250	9	1,389	2,648
Travel	68,412	311	11,065	79,789
Camp fees and related expense	54,072	-	10	54,082
Bank fees	-	7,035	-	7,035
Fundraising events	-	-	17,011	17,011
In-kind contributions	369,727	162,929	24,000	556,656
Depreciation expense	135,179	-	-	135,179
Interest expense	49,224	-	-	49,224
Miscellaneous	100	202	-	302
Total expenses	\$ 1,428,557	\$ 210,134	\$ 163,646	\$ 1,802,338

The Notes to Financial Statements are an integral part of these statements.

ONE HEARTLAND, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED MARCH 31,	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (39,919)	\$ (171,313)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation expense	136,539	135,179
Amortization of debt issuance costs	1,292	642
Change in allowance for uncollectible pledges	25,000	-
Loss on disposal of property and equipment	-	16,620
Net change in assets and liabilities:		
Receivables	33,476	370,142
Prepaid expenses	(928)	2,265
Unemployment reserves	(6,006)	642
Accounts payable	64,526	(130,371)
Accrued expenses and withholding	6,009	1,962
Deferred income	(1,855)	(3,065)
<i>Net cash provided by operating activities</i>	218,134	222,703
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(77,657)	(21,540)
<i>Net cash used by investing activities</i>	(77,657)	(21,540)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds (payments) on line of credit	(459)	97,011
Debt issuance costs - refinance	-	(5,531)
Principal payments on long term debt	(178,417)	(296,417)
<i>Net cash used by financing activities</i>	(178,876)	(204,937)
<i>Net decrease in cash and cash equivalents</i>	(38,399)	(3,774)
Cash and cash equivalents, beginning of year	63,863	67,637
<i>Cash and cash equivalents, end of year</i>	\$ 25,464	\$ 63,863
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Interest paid	\$ 19,384	\$ 49,224
NON-CASH FINANCING ACTIVITIES		
Refinance of long term debt	\$ -	\$ 695,877
Debt issuance costs rolled into new note payable	\$ -	\$ 13,853

The Notes to Financial Statements are an integral part of these statements.

ONE HEARTLAND, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization:

One Heartland, Inc. (the Organization) strives to improve the lives of children, youth, and families facing significant health challenges or social isolation. The Organization is incorporated in Wisconsin and its headquarters and camp facility are located in Minnesota. The Organization's main source of revenue is donations.

Basis of presentation:

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board ASC 958. Under ASC 958, One Heartland, Inc. is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets, based upon the existence or absence of donor restrictions. As of March 31, 2018 and 2017, there were no permanently restricted net assets.

Basis of accounting:

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities.

Recently Issued Accounting Pronouncements:

In May 2014, FASB issued ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606), which provides guidance for accounting for revenue from contracts with customers. The new guidance outlines a single comprehensive model for companies to use in accounting for revenue from contracts with customers. For private companies, the ASU is effective for annual and interim periods beginning after December 15, 2018 with early adoption permitted. It can be adopted using either a retrospective approach or a modified retrospective approach. The Organization is currently evaluating the impact that the adoption of this guidance will have on the Organization's financial statements and anticipates the new guidance will not have a material impact on its financial statements.

In February 2016, FASB issued ASU No. 2016-02, Leases (Topic 842), which provides guidance for accounting for leases. The new guidance requires companies to recognize the assets and liabilities for the rights and obligations created by leased assets, initially measured at the present value of the lease payments. The accounting guidance for lessors is largely unchanged. For private companies, the ASU is effective for annual and interim periods beginning after December 15, 2019 with early adoption permitted. It is to be adopted using a modified retrospective approach. The Organization is currently evaluating the impact that the adoption of this guidance will have on the Organization's financial statements and anticipates the new guidance will impact its financial statements given the Organization has lease obligations, see Note 9.

ONE HEARTLAND, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. (CONTINUED)

In August 2016, FASB issued ASU No. 2016-14, Not-for-Profit Entities (Topic 958), which provides guidance for presentation of financial statements of not-for-profit entities. The new guidance requires not-for-profits to include a number of changes in their financial presentation including presenting two classes of net assets, enhanced disclosures on board designations, management of liquid resources for cash flows, and present expenses by their natural and functional classification. The ASU will be effective for financial statements for fiscal years beginning after December 15, 2017, and for interim financial statements for periods after that date with early adoption permitted. The amendments in this update should be applied on a retrospective basis. However, if presenting comparative financial statements, the NFP has the option to omit the following information for any periods presented before the period of adoption: analysis of expenses by both natural classification and functional classification and disclosures about liquidity and availability of resources. The Organization is currently evaluating the impact that the adoption of this guidance will have on the Organization's financial statements and anticipates the new guidance will significantly impact its financial statements.

Cash and cash equivalents:

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

Concentrations:

The Organization maintains certain cash accounts in commercial banks. At times, such cash balances may be in excess of the Federal Deposit Insurance Corporation (FDIC) insurance limit.

Promises to give:

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. Promises to give outstanding are considered temporarily restricted due to a time restriction until the monies are received. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. There were \$139,500 and \$172,976 promises to give outstanding as of March 31, 2018 and 2017, respectively. As of March 31, 2018, pledges of \$109,500 are due within one year and pledges of \$30,000 are due between one and five years. As of March 31, 2017, pledges of \$112,976 are due within one year and pledges of \$60,000 are due between one and five years.

ONE HEARTLAND, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. (CONTINUED)

Receivables:

Accounts and pledges receivable are recorded net of an allowance for expected losses. The allowance is estimated from historical performance and projection of trends. At March 31, 2018 and 2017, the balance of the allowance was \$25,000 and \$0, respectively. It is the Organization's policy to charge off uncollectible receivables when management determines that a receivable will not be collected.

Property, equipment and depreciation methods:

Purchased property and equipment are recorded at acquisition cost. Property and equipment donations are recorded at fair market value at the date of receipt. Improvements and betterments exceeding \$500 are capitalized, while repairs and maintenance expenditures are expensed in the statements of activities.

Depreciation is computed using the straight-line method over the estimated useful lives as follows:

Land	Indefinite
Land improvements	10 - 30 years
Buildings and improvements	5 - 30 years
Furniture and equipment	3 - 20 years
Vehicles	5 years

Debt issuance costs:

Amortization of debt issuance costs is computed over the terms of the respective mortgages on a straight-line basis. Unamortized debt issuance costs are presented as a reduction of outstanding debt and amortization expense related to those debt issuance costs is presented as interest expense.

In-kind contributions:

Donated vehicles, equipment, facilities, and materials are recorded at the estimated market value when received. Contributed services are recorded as contributions, at their fair market value, when the service creates or enhances a non-financial asset or the service requires specialized skills that would typically need to be purchased if not provided by donation.

Functional allocation of expenses:

The costs of providing the Organization's program and supporting activities have been presented on a functional basis. Accordingly, certain costs have been allocated among the program and supporting services benefited.

ONE HEARTLAND, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. (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 certain reported amounts and disclosures. Actual results could differ from those estimates.

Income taxes:

One Heartland, Inc. is exempt from federal taxation pursuant to the provisions of Section 501(c) (3) of the Internal Revenue Code and Section 290.05 of the Minnesota Statutes and is only subject to federal and state income taxes on net unrelated business income. Since the Organization had no unrelated business taxable income in 2018 and 2017, the accompanying financial statements do not include any provision for federal or state income taxes.

The Organization has not been audited by a tax authority, and accordingly the informational tax returns for the past three years are open to examination. Management has evaluated its tax positions and has concluded that they do not expect anything that would require either recording or disclosure in the financial statements based on the criteria set forth in ASC 740.

NOTE 2. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

MARCH 31,	2018	2017
Land	\$ 255,417	\$ 255,417
Land improvements	136,114	136,114
Camp facility	1,501,271	1,465,771
Camp retreat center	771,798	771,798
Camp improvements	982,054	939,897
Furniture and equipment	441,506	441,506
Vehicles	74,761	74,761
	<u>4,162,921</u>	<u>4,085,264</u>
Less accumulated depreciation	2,655,010	2,518,471
<i>Net property and equipment</i>	\$ 1,507,911	\$ 1,566,793

NOTE 3. LINE OF CREDIT

The Organization has a \$100,000 line of credit available with Northview Bank with interest payable monthly at the prime rate plus 1.0% (prime rate at March 31, 2018 was 4.75%). Subsequent to year end in May 2018, the line of credit was amended with a new available balance of \$150,000 with interest payable monthly at the same rate. Borrowings under the line of credit are secured by substantially all assets of the Organization. The line of credit expires May 24, 2019. The balance outstanding on this line was \$96,552 and \$97,011 as of March 31, 2018 and 2017, respectively.

ONE HEARTLAND, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 4. LONG TERM DEBT

The Organization's long term debt consists of the following:

MARCH 31,	2018	2017
4.25% note payable to Northview Bank, secured by the camp facilities in Willow River, Minnesota, requires interest and principal payments of \$4,072 to be made monthly through October 2031. The note was refinanced November 2016 resulting in a reduction in the interest rate from 6% to 4.25%, a reduction in principal payment from \$6,198 to \$5,235 and an extended maturity date to October 19, 2031. Prior to the refinance, the note was payable to Wells Fargo and serviced by Northview Bank. The note had a change in terms beginning January 2018 resulting in a reduction of principal payment from \$5,235 to \$4,072.	\$ 503,676	\$ 682,093
Less unamortized debt issuance costs	17,446	18,738
<i>Long term debt, less unamortized debt issuance costs</i>	486,230	663,355
Less current maturities	35,183	34,504
<i>Total long term debt, less current portion</i>	\$ 451,047	\$ 628,851

Effective April 1, 2016, the Organization adopted new authoritative generally accepted accounting principles (GAAP) guidance under ASU 2015-03 for the presentation of debt issuance costs and related amortization. Under this ASU the Organization reports such costs as a direct deduction from the face amount of the debt (as shown in the table above).

The future scheduled maturities of long term debt are as follows:

YEARS ENDING MARCH 31,		
2019		\$ 35,183
2020		29,521
2021		30,800
2022		32,135
2023		33,528
Thereafter		342,509
<i>Total long term debt</i>		\$ 503,676

ONE HEARTLAND, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 5. TEMPORARILY RESTRICTED NET ASSETS

The nature of restrictions on temporarily restricted net assets are as follows:

MARCH 31,	2018	2017
Time restrictions	\$ 74,500	\$ 118,010
Driveway	80,000	-
LED Lighting	21,736	-
Playground	97,000	-
Camps	-	50,000
Computer lab	-	4,966
<i>Total temporarily restricted net assets</i>	\$ 273,236	\$ 172,976

NOTE 6. IN-KIND DONATIONS

The Organization received in-kind donations as follows:

YEARS ENDED MARCH 31,	2018	2017
Camp related and other program expenses	\$ 59,913	\$ 121,883
General fundraising and event expenses	75,599	99,932
Angel Flights	239,234	247,844
Tablets	18,900	-
Re-branding	-	150,000
General administration	-	12,929
<i>Total in-kind donations</i>	\$ 393,646	\$ 632,588

NOTE 7. EMPLOYEE RETIREMENT PLAN

The Organization sponsors a SIMPLE IRA Retirement Plan for all eligible employees. Total employer contributions made for the years ended March 31, 2018 and 2017 totaled \$7,383 and \$7,534, respectively.

NOTE 8. UNEMPLOYMENT RESERVES

The Organization self-insures for Minnesota unemployment via the Unemployment Services Trust. The Minnesota unemployment trust balance per contract would be fully refunded to the Organization upon payment of all outstanding unemployment claims. The recorded balance of the Minnesota unemployment trust is based on the balance of the trust net of an estimate of claims payable. The recorded balance at March 31, 2018 and 2017 was \$23,069 and \$17,063, respectively.

ONE HEARTLAND, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 9. LEASE COMMITMENTS

The Organization has leases for its office facilities and office equipment, which are treated as operating leases.

The Organization currently leases office space located at 2101 Hennepin Avenue, Minneapolis, Minnesota. The lease was renewed effective February 1, 2018 for another twenty-four months, expiring on January 31, 2020. Minimum monthly lease payments are \$2,600.

Total rent and lease payments paid, for the years ended March 31, 2018 and 2017 totaled \$37,684 and \$37,584, respectively.

The future minimum lease payments are as follows:

YEARS ENDING MARCH 31,

2019	\$	34,140
2020		28,940
2021		2,940
<i>Total</i>		\$ 66,020

NOTE 10. SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through November 20, 2018, the date which the financial statements were available to be issued.