Heartline, Inc.
Financial Statements and Independent Auditor's Report Thereon

June 30, 2011

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Heartline, Inc.

We have audited the accompanying statement of position of Heartline, Inc. (a nonprofit organization) as of June 30, 2011, and the related statements of activities, cash flows and functional expenses for the year then ended. These financial statements are the responsibility of the Organization's management. 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Heartline, Inc. as of June 30, 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 16, 2011, on our consideration of the Heartline, Inc's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Casey J. Russell CPA, Inc.

September 16, 2011

HeartLine, Inc.
Statement of Position
June 30, 2011

Assets		
Cash on Hand and Demand Deposits	$	94,695.94
Accounts Receivable		33,411.92
Prepaid Insurance		3,761.15
Beneficial Interest in Assets Held by Others		51,306.00
Property and Equipment, Net		295,152.95
Total Assets	$	478,327.96
Liabilities and Net Assets		
Liabilities		
Accounts Payable	$	2,758.52
Accrued Liabilties		29,038.27
Line of Credit		16,898.53
Compensated Absences		22,470.24
Total Liabilities		71,165.56
Net Assets		
Permanently Restricted		51,306.00
Temporarily Restricted		6,812.25
Unrestricted Funds		349,044.15
Total Net Assets		407,162.40
Total Liabilities and Net Assets	$	478,327.96

The accompanying notes are an integral part of these financial statements

HeartLine, Inc.
Statement of Activities
For the Year Ending June 30, 2011

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, Gains and Other Support				
Grants	-	230,493.10	-	230,493.10
Contributions	267,313.30	-	-	267,313.30
Special Events	163,830.09	-	-	163,830.09
United Way Allocation	145,067.99	-	-	145,067.99
Contract Services	439,263.00	-	-	439,263.00
Other Program Income	10,460.52	-	-	10,460.52
Unrealized Gains (Losses)	-	-	(1,732.00)	(1,732.00)
Investment Gains (Losses)	-	-	8,573.63	8,573.63
Net Assets Released from Restrictions	256,574.38	(256,574.38)	-	-
Total Revenues, Gains and Other Support	1,282,509.28	(26,081.28)	6,841.63	1,263,269.63
Expenditures				
Administration	141,736.96	-	-	141,736.96
Crisis Helpline	145,705.68	-	-	145,705.68
211	735,469.65	-	-	735,469.65
Fundraising	185,589.69	-	-	185,589.69
Total Expenditures	1,208,501.98	-	-	1,208,501.98
Change in Net Assets	74,007.30	(26,081.28)	6,841.63	54,767.65
Change in Net Assets after Extraordinary Expenses	74,007.30	(26,081.28)	6,841.63	54,767.65
Beginning Net Assets	275,036.85	32,893.53	44,464.37	352,394.75
Ending Net Assets	$ 349,044.15	$ 6,812.25	$ 51,306.00	$ 407,162.40

HeartLine, Inc.
Statement of Cash Flows
For the Year Ended June 30, 2011

CASH FLOWS FROM OPERATING ACTIVITIES	
Net Income (Loss)	$ 54,767.65
Adjustments to reconcile Net Income (Loss) to net	
Cash Provided by (used in) operating activities:	
Depreciation and Amortization	30,979.00
Decrease (Increase) in Operating Assets	
Accounts Receivable	(7,282.59)
Due From Others	1,373.36
Prepaid Insurance	(1,500.96)
(Decrease) Increase in Operating Liabilities	
Accounts Payable	(890.36)
Accrued Liabilities	9,187.26
Compensated Absences	3,269.53
Total Adjustments	35,135.24
Net Cash Provided By (Used in) Operating Activities	89,902.89
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of Fixed Assets	(2,529.00)
Change in Other Assets	(6,842.00)
Net Cash Provided By (Used In) Investing Activities	(9,371.00)
CASH FLOWS FROM FINANCING ACTIVITIES	
Notes Payable Repayments	(47,980.27)
Net Cash Provided By (Used In) Financing Activities	(47,980.27)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	32,551.62
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	62,144.32
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 94,695.94
Supplemental Information:	
Interest Paid	$ 2,412.71

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

HeartLine, Inc.
Statement of Functional Expense
June 30, 2011

	Administration	Crisis Helpline	211	Fundraising	Total
Salaries & Wages	$ 52,301.08	$ 61,094.69	$ 543,327.47	$ 60,432.42	$ 717,155.66
Employee Benefits	22,511.84	4,990.33	79,933.03	8,702.33	116,137.53
Occupancy	920.00	574.99	8,969.94	1,035.00	11,499.93
Office Expenses	4,372.16	2,272.68	18,912.20	3,913.27	29,470.31
Repairs & Maintenance	2,359.75	1,195.97	18,745.50	2,152.91	24,454.13
Interest	207.12	119.86	1,869.97	215.76	2,412.71
Telephone	12,253.58	1,298.39	34,382.21	1,443.31	49,377.49
Insurance	470.34	354.96	4,585.80	468.14	5,879.24
Conferences & Training	-	-	6,571.90	853.54	7,425.44
Dues & Publications	6,853.21	221.90	916.64	6,951.44	14,943.19
Professional Fees	846.20	528.81	8,250.45	952.04	10,577.50
Advertising	488.23	71,599.65	2,728.24	579.41	75,395.53
Travel & Related Expenses	6,855.33	1,255.35	3,185.94	2,225.74	13,522.36
Special Events Expense	319.12	198.10	3,090.36	95,664.28	99,271.86
Depreciation	30,979.00	-	-	-	30,979.00
Total Expenses	$ 141,736.96	$ 145,705.68	$ 735,469.65	$ 185,589.59	$ 1,208,501.88

Heartline, Inc.
Notes to the Financial Statements
As of and for the Year Ended June 30, 2011

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Reporting Entity

Heartline, Inc. (Heartline) is a nonprofit corporation organized in March of 1972 under the laws of the State of Oklahoma. Heartline provides skilled, compassionate listening and crisis support to the people of central Oklahoma through educational programs, referral services and a confidential 24-hour telephone helpline. Heartline is supported primarily through contributions, grants, contracts for services and the United Way.

Basis of Accounting

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

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense when necessary and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. Changes in the valuation allowance have not been material to the financial statements.

Concentrations

A lone contract for service is approximately 32% of total revenues and is 100% of the accounts receivable balance as of June 30, 2011.

Income Tax Status

Heartline is exempt from income taxes under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3) and is classified as a publicly supported organization and not as a private foundation.

Financial Statement Presentation

The financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, Heartline is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted.

Cash and Cash Equivalents

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

Contributions

Heartline has adopted SFAS No. 116, *Accounting for Contributions Received and Contributions Made*. Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence or nature of any donor restrictions. Support that is restricted by the grantor or donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized.

All other restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Contributed services under SFAS No. 116 are those that create or enhance non-financial assets, are of a specialized nature, are provided by individuals possessing those skills and would otherwise be purchased. In-kind contributions relating to fixed assets, software development, advertising and printing of $0 were recognized during the year.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Property and Equipment

Property and equipment are capitalized at cost, or if donated, at the estimated fair market value at the date of the donation. Depreciation is computed using the straight-line method over the following estimated useful lives of the related assets: building and improvements – 39 years and furniture and equipment – 5 to 10 years. Depreciation expense for the year ended was $30,979.

Heartline does not have an established written fixed asset policy. Currently, the executive director decides which purchases are to be considered fixed assets.

Property and equipment consist of the following:

	Beginning Balance	Additions	Deletions	Ending Balance
Land	$ 9,600	$ -	$ -	$ 9,600
Buildings and Improvements	295,374	-	-	295,374
Equipment and Furniture	142,228	2,529	-	144,757
Total Assets	447,202			449,731
Accumulated Depreciation	(123,600)	(30,979)	-	(154,579)
Total Property and Equipment, Net	$ 323,602			$ 295,152

Functional Allocation of Expenses

The schedule of functional expenses presents the costs of providing services on a functional basis. Accordingly, certain costs have been allocated among programs and supporting services.

BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS

Heartline is the beneficiary of an endowment with the Oklahoma City Community Foundation (the Foundation) and records this interest in accordance with SFAS No. 136, *Transfers of Assets to a Not-for-Profit Organization or Charitable Trust that Raises or Holds Contributions for Others*. Funds are transferred from Heartline to the Foundation on a continuing basis with variance power granted to Foundation in the following three circumstances: a) Heartline ceases to exist; b) Heartline ceases to qualify under its current exempt status with the IRS; and c) Heartline's mission becomes impractical to fulfill. The current distribution policy of the Foundation is 5% of the market value of the fund at June 30 of each year, averaged over 8 quarters, distributed each October.

According to the Foundation endowment report dated June 30, 2011, the aggregate value of the beneficial interest was $44,464.

LINE OF CREDIT

During the year ending June 30, 2008, Heartline obtained a line of credit from BancFirst in the amount of $50,000. This note has an interest rate of 5% and will mature on September 1, 2011. Heartline is required to make monthly interest payments on this note. The line of credit is to cover operational expenses. On February 9, 2009, Heartline had the line of credit increased to $100,000. Monthly interest payments are being paid at an interest rate of 4% per annum on all outstanding principal. As of June 30, 2011, the outstanding principal on the line of credit was $16,899.

SUBSEQUENT EVENTS

Subsequent events have been evaluated through September 16, 2011, which is the date the financial statements were issued.

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors
Heartline, Inc.

We have audited the financial statements of Heartline, Inc. (a nonprofit organization) as of and for the year ended June 30, 2011, and have issued our report thereon dated September 16, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Heartline's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Heartline's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Heartline, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the audit committee, management, Board of Directors, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Casey J. Russell CPA, Inc.

September 16, 2011