HEARTLINE, INC.

FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED
JUNE 30, 2019 AND 2018

TOGETHER WITH
INDEPENDENT AUDITOR'S REPORT

HEARTLINE, INC.
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June 30, 2019 and 2018

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
HeartLine, Inc.
Oklahoma City, Oklahoma

Report on the Financial Statements

We have audited the accompanying financial statements of HeartLine, Inc. (a nonprofit organization) ("HeartLine") which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities, functional expenses 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 and the standards applicable to financial audits 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 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 HeartLine as of June 30, 2019 and 2018, 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.

HSPG & ASSOCIATES, PC

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Effect of Adopting New Accounting Standard

As discussed in Note 1, HeartLine adopted Financial Accounting Standards Board recently issued Accounting Standards Update No. 2016-14, "Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities" during the year ended June 30, 2019. The new guidance simplifies and improves how not-for-profit entities classify net assets as well as the information presented in financial statements and notes about liquidity, financial performance, and cash flows. Our opinion is not modified with respect to this matter.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2019, on our consideration of HeartLine'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 solely 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 effectiveness of HeartLine's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering HeartLine's internal control over financial reporting and compliance.

HSPG & Associates, P.C.

December 13, 2019

HEARTLINE, INC.
STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2019 AND 2018

	2019	2018
ASSETS		
Cash and cash equivalents	$ 179,785	$ 88,228
Reimbursable grants and accounts receivable	211,295	225,012
Contributions receivable	246,000	231,000
Beneficial interest in assets held by others	61,025	57,136
Prepaid expenses and other assets	9,026	36,864
Property and equipment, net	191,863	204,218
TOTAL ASSETS	$ 898,994	$ 842,458
LIABILITIES		
Accounts payable	$ 50,437	$ 25,437
Accrued liabilities	55,168	21,785
Line of credit	25,001	25,001
Compensated absences	15,992	34,020
TOTAL LIABILITIES	146,598	106,243
NET ASSETS		
Without donor restrictions	372,731	360,358
With donor restrictions	379,665	375,857
TOTAL NET ASSETS	752,396	736,215
TOTAL LIABILITIES AND NET ASSETS	$ 898,994	$ 842,458

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

HEARTLINE, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019 (WITH COMPARATIVE TOTALS FOR 2018)

	2019			2018
	Without Donor Restrictions	With Donor Restrictions	Total	Total
SUPPORT AND REVENUES				
Program income:				
Reimbursement grant funded	$ 1,130,538	$ -	$ 1,130,538	$ 871,940
Earned income	56,242	-	56,242	178,750
Contributions	277,664	81,519	359,183	457,554
United way allocation	12,209	231,000	243,209	243,792
Special event	45,465	-	45,465	45,530
Change in beneficial interest in assets held by others	-	3,889	3,889	4,021
Investment gains (losses)	2,832	-	2,832	7,417
Restrictions released	312,600	(312,600)	-	-
Total support and revenues	1,837,550	3,808	1,841,358	1,809,004
EXPENSES				
Program services:				
Crisis helpline	282,798	-	282,798	124,820
211	302,249	-	302,249	478,589
Crisis intervention	494,262	-	494,262	273,703
Homeless services	100,534	-	100,534	105,610
General and administrative	390,487	-	390,487	429,766
Costs of direct benefits to donors	102,138	-	102,138	106,679
Fundraising	152,709	-	152,709	108,767
Total expenses	1,825,177	-	1,825,177	1,627,934
CHANGE IN NET ASSETS	12,373	3,808	16,181	181,070
NET ASSETS, BEGINNING OF YEAR	360,358	375,857	736,215	555,145
NET ASSETS, END OF YEAR	$ 372,731	$ 379,665	$ 752,396	$ 736,215

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

HEARTLINE, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUES			
Program income:			
Reimbursement grant funded	$ 871,940	$ -	$ 871,940
Earned income	178,750	-	178,750
Contributions	369,833	87,721	457,554
United way allocation	12,792	231,000	243,792
Special event	45,530	-	45,530
Change in beneficial interest in assets held by others	-	4,021	4,021
Investment gains (losses)	7,417	-	7,417
Restrictions released	233,794	(233,794)	-
Total support and revenues	1,720,056	88,948	1,809,004
EXPENSES			
Program services:			
Crisis helpline	124,820	-	124,820
211	478,589	-	478,589
Crisis intervention	273,703	-	273,703
Homeless services	105,610	-	105,610
General and administrative	429,766	-	429,766
Costs of direct benefits to donors	106,679	-	106,679
Fundraising	108,767	-	108,767
Total expenses	1,627,934	-	1,627,934
CHANGE IN NET ASSETS	92,122	88,948	181,070
NET ASSETS, BEGINNING OF YEAR	268,236	286,909	555,145
NET ASSETS, END OF YEAR	$ 360,358	$ 375,857	$ 736,215

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

HEARTLINE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019 (WITH COMPARATIVE TOTALS FOR 2018)

	2019									2018
	Program Services									
	Crisis Helpline	211	Crisis Intervention	Homeless Services	Total Program Services	General and Administrative	Costs of direct benefits to donors	Fundraising	Total	Total
Salaries and wages	$ 205,370	$ 187,271	$ 295,316	$ 82,042	$ 769,999	$ 234,042	$ -	$ 99,503	$ 1,103,544	$ 1,053,237
Payroll taxes	15,671	21,749	23,299	6,516	67,235	26,857	-	8,095	102,187	83,027
Employee benefits	28,511	21,877	20,193	7,351	77,932	31,890	-	9,696	119,518	91,166
Occupancy	49	2,652	686	308	3,695	5,587	-	630	9,912	12,966
Advertising	531	1,554	78,653	42	80,780	2,868	-	11,980	95,628	23,361
Office expenses	-	3,186	26,614	351	30,151	13,187	-	5,136	48,474	36,815
Repairs and maintenance	3,540	10,830	6,412	2,033	22,815	17,037	-	2,511	42,363	47,400
Interest	-	-	-	-	-	1,610	-	-	1,610	1,333
Information technology	23,902	48,131	16,995	60	89,088	3,888	-	955	93,931	83,175
Insurance	-	1,384	227	86	1,697	1,694	-	159	3,550	7,968
Conferences and training	104	27	5,086	-	5,217	1,188	-	-	6,405	2,709
Dues and publications	-	360	2,643	-	3,003	3,991	-	13,058	20,052	14,103
Professional fees	52	2,214	5,063	29	7,358	33,247	-	29	40,634	27,365
Travel and related expense	5,068	1,014	11,905	1,716	19,703	1,046	-	957	21,706	21,941
Special events expense	-	-	1,170	-	1,170	-	102,138	-	103,308	109,274
Depreciation	-	-	-	-	-	12,355	-	-	12,355	12,094
Total expenses	$ 282,798	$ 302,249	$ 494,262	$ 100,534	$ 1,179,843	$ 390,487	$ 102,138	$ 152,709	$ 1,825,177	$ 1,627,934

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

HEARTLINE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2018

	Program Services								
	Crisis Helpline	211	Crisis Intervention	Homeless Services	Total Program Services	General and Administrative	Costs of direct benefits to donors	Fundraising	Total
Salaries and wages	$ 113,881	$ 289,512	$ 202,045	$ 101,364	$ 706,802	$ 269,097	$ -	$ 77,338	$ 1,053,237
Payroll taxes	8,521	25,099	15,348	7,411	56,379	20,449	-	6,199	83,027
Employee benefits	(364)	50,911	2,810	(4,504)	48,853	40,921	-	1,392	91,166
Occupancy	-	8,688	400	-	9,088	3,159	-	719	12,966
Advertising	-	2,249	15,646	-	17,895	1,748	-	3,718	23,361
Office expenses	710	9,185	17,141	22	27,058	8,378	-	1,379	36,815
Repairs and maintenance	-	23,839	2,504	-	26,343	15,553	-	5,504	47,400
Interest	-	735	47	-	782	76	-	475	1,333
Information technology	-	53,595	2,408	-	56,003	25,345	-	1,827	83,175
Insurance	-	6,214	398	-	6,612	639	-	717	7,968
Conferences and training	-	829	1,601	119	2,549	160	-	-	2,709
Dues and publications	-	1,228	2,664	-	3,892	1,250	-	8,961	14,103
Professional fees	-	2,029	-	-	2,029	25,336	-	-	27,365
Travel and related expense	2,072	1,881	10,691	1,198	15,842	5,561	-	538	21,941
Special events expense	-	2,595	-	-	2,595	-	106,679	-	109,274
Depreciation	-	-	-	-	-	12,094	-	-	12,094
Total expenses	$ 124,820	$ 478,589	$ 273,703	$ 105,610	$ 982,722	$ 429,766	$ 106,679	$ 108,767	$ 1,627,934

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

HEARTLINE, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ 16,181	$ 181,070
Adjustments to reconcile change in net assets to net cash flows provided by operating activites:		
Depreciation	12,355	12,094
Change in beneficial interest in assets held by others	(3,889)	(4,021)
Changes in operating assets and liabilities:		
Reimbursable grants and accounts receivable	13,717	(147,014)
Contributions receivable	(15,000)	-
Prepaid expenses and other assets	27,838	3,347
Accounts payable	25,000	18,402
Accrued liabilities	33,383	(9,594)
Compensated absences	(18,028)	9,688
Net cash provided by operating activities	91,557	63,972
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	-	(27,497)
Distributions received from beneficial interest in assets held by others	-	2,794
Net cash used in investing activities	-	(24,703)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Line of credit repayments	-	(33,650)
Net cash used in financing activities	-	(33,650)
NET CHANGE IN CASH AND CASH EQUIVALENTS	91,557	5,619
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	88,228	82,609
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 179,785	$ 88,228
SUPPLEMENTAL INFORMATION:		
Interest paid	$ 1,610	$ 1,333

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

1. NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Nature of organization – HeartLine, Inc. ("HeartLine"), organized in 1972 as a non-profit organization in the state of Oklahoma, 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 accompanying financial statements have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other assets and liabilities.

Basis of presentation – Net assets, revenues, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. The financial statement presentation reports information regarding HeartLine's financial position and activities as follows:

Net assets without donor restrictions - Net assets available for use in general operations and not subject to donor restrictions.

Net assets with donor restrictions - Net assets subject to donor-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 that 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 was restricted has been fulfilled, or both. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the same period in which the contribution is received.

HeartLine reports gifts of cash and other assets as restricted contributions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction is satisfied, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets restrictions released.

Cash and cash equivalents – For purposes of reporting cash flows, HeartLine considers all unrestricted cash on hand and investments purchased with an original maturity of three months or less, when purchased, to be cash equivalents.

Revenue recognition – Revenues that have the characteristics of exchange transactions, such as earned program income, are not recognized until earned. Fees received prior to services being provided are recorded as deferred revenue. Investment and interest income are recorded when earned. Contributions are recorded as revenues when received or upon receipt of an unconditional promise to give, net of estimated discounts. Conditional contributions are recorded when the conditions have been substantially met or explicitly waived by the donor. At June 30, 2019 and 2018, unconditional promises to give are considered fully collectible with all balances expected to be received within one year.

Donated services – HeartLine receives a significant amount of donated services from unpaid volunteers who assist in fundraising and program services. No amounts have been recognized in the statements of activities for these services as they do not meet recognition criteria.

Reimbursable grants and accounts receivable and credit policies – HeartLine provides similar services under both contracts with clients and reimbursable grants. Reimbursable grants and accounts receivable are uncollateralized client and grantor obligations due as services are provided based on relevant client contracts and grant agreements. Interest and delinquency fees are not assessed. Payments of receivables are specifically allocated to the client's account. Receivables are stated net of an allowance for doubtful accounts that reflects management's best estimate of amounts that will be collected. HeartLine estimates the allowance based on an analysis of specific clients and grantors, taking into consideration the age of past due accounts and an assessment of the client's and grantor's ability to pay. Once all efforts to collect receivables have been exhausted, HeartLine writes receivables off against the established allowance. At June 30, 2019 and 2018, management believes all receivables are fully collectible; accordingly, no allowance is required.

Property and equipment – Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Expenditures for major additions and improvements are capitalized as determined by on a case-by-case basis. Minor replacements, maintenance, and repairs are charged to expense as incurred. HeartLine reports gifts of property and equipment as unrestricted support unless explicit donor restrictions specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor restrictions about how long those long-lived assets must be maintained, HeartLine reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The estimated useful lives of property and equipment are as follows: building and improvements – 39 years and furniture and equipment – five to seven years.

Beneficial interest in assets held by others – HeartLine follows the Accounting Standards Codification ("ASC") guidance which requires a not-for-profit organization that transfers assets to a community foundation and specifies itself as the beneficiary to recognize its beneficial interest in the assets transferred (see Note 3). HeartLine carries its beneficial interest in the assets held by Oklahoma City Community Foundation ("OCCF") at fair value.

Advertising costs – Advertising costs are charged to operations when incurred and totaled $95,628 and $23,361 for the years ended June 30, 2019 and 2018, respectively.

Functional Allocation of Expenses – Costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities and functional expenses. Costs are allocated between crisis helpline, 211, crisis intervention, homeless services, general and administrative, costs of direct benefits to donors, and fundraising based on evaluations of the related activities. General and administrative expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of HeartLine.

Income Taxes – HeartLine is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except for any income that HeartLine generates from an unrelated trade or business which is subject to federal corporate taxes on income. With few exceptions, HeartLine is no longer subject to income tax examinations by the U.S. federal, state or local tax authorities for years beginning before June 30, 2016.

Concentrations – During the years ended June 30, 2019 and 2018, 36% and 31% of HeartLine's contribution revenue is from one donor, and 73% and 58% of HeartLine's program income is from

two contracts, respectively. As of June 30, 2019 and 2018, 94% and 100% of HeartLine's contributions receivable is due from one donor, and 66% and 69% of HeartLine's reimbursable grants and accounts receivable is due from one contract, respectively.

Accounting 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 the reported amounts in the financial statements and accompanying notes. Estimates that are particularly susceptible to significant change include the allowance for doubtful accounts and the fair market value of beneficial interest in assets held by others. The allowance for doubtful accounts is subject to credit risk. Beneficial interest in assets held by others is exposed to overall market volatility. Due to the level of risk associated with these estimates, it is reasonably possible that changes in the values of these assets will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position. Significant fluctuations in fair values could occur from year to year and the amounts HeartLine will ultimately realize could differ materially.

Fair value measurements – Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements accounting guidance establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The hierarchy gives highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The inputs to the three levels of the fair value hierarchy are described as follows:

Level 1: Unadjusted quoted prices for identical assets or liabilities in active markets that HeartLine has the ability to access.

Level 2: Quoted prices for similar assets or liabilities in active markets; quoted prices for identical assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; and inputs that are derived principally from, or corroborated by, observable market data by correlation to other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Unobservable and significant to the fair value measurement.

Financial assets subject to fair value measurement disclosure requirements include beneficial interest in assets held by others (see Notes 3 and 5). HeartLine has no liabilities carried at fair value on a recurring basis and no assets or liabilities carried at fair value on a non-recurring basis at June 30, 2019 or 2018.

Subsequent Events – HeartLine has evaluated subsequent events through December 13, 2019, which is the date the financial statements were available to be issued. There are no subsequent events requiring recognition or disclosure in the accompanying financial statements.

Reclassifications – Certain reclassifications have been made to the prior year amounts to conform to the current year presentation. Such reclassifications did not affect net assets or changes in net assets as of and for the year ended June 30, 2018.

Change in accounting guidance – In August 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-14, "Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities". The new guidance simplifies and improves how not-for-profit entities classify net assets as well as the information presented in financial statements and notes about liquidity, financial performance, and cash flows. HeartLine has adopted this ASU for the year ended June 30, 2019.

2. LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

	2019	2018
Cash and cash equivalents	$ 179,785	$ 88,228
Reimbursable grants and accounts receivable	211,295	225,012
Contributions receivable	246,000	231,000
Distributions from beneficial interests in assets held by others	2,984	2,794
Total	$ 640,064	$ 547,034

In addition to financial assets available to meet general expenditures over the next 12 months, HeartLine operates within a balanced budget and anticipates collecting sufficient revenue to cover general expenditures. HeartLine receives contributions restricted by donors, and considers contributions restricted for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. HeartLine manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged.

3. BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS

In prior years, HeartLine transferred funds to OCCF and specified itself as the beneficiary of the funds. Annually, distributions from the funds are paid to HeartLine according to OCCF's distribution policy. OCCF maintains variance power over these assets. Variance power assures donors that if the charitable purpose of their contribution becomes impractical or impossible, the distributions will be directed to similar purposes in the community. Distributions in the amount of $2,794 and $2,744 for the years ended June 30, 2019 and 2018, respectively, were received by HeartLine from these funds. OCCF maintains legal ownership of the funds. However, accounting principles generally accepted in the United States of America require that HeartLine reflect its beneficial interest in these assets in its financial statements. At June 30, 2019 and 2018, assets transferred to OCCF by HeartLine had a fair value of $61,025 and $57,136, respectively.

In addition to the funds discussed above, OCCF maintains other funds that have been contributed by various donors to OCCF for the benefit of HeartLine. These funds are not included as assets of HeartLine. The earnings from these funds are paid to HeartLine each year in accordance with OCCF's distribution policy. For the years ended June 30, 2019 and 2018, HeartLine received distributions of $7,496 and $7,449, respectively, which are recorded as contributions in the accompanying statement of activities. At June 30, 2019 and 2018, the fair value of the funds originally donated by third parties was $169,932 and $164,637, respectively. HeartLine has no remainder interest in the corpus of these funds.

4. PROPERTY AND EQUIPMENT

Property and equipment as of June 30, 2019 and 2018, are summarized as follows:

	2019	2018
Buildings and improvements	$ 309,726	$ 309,726
Furniture and equipment	145,521	145,521
Land	9,600	9,600
	464,847	464,847
Less: accumulated depreciation	(272,984)	(260,629)
Net property and equipment	$ 191,863	$ 204,218

5. FAIR VALUE MEASUREMENTS

The following methods and assumptions used to estimate the fair value of financial instruments in the financial statements, including a description of the methodologies used for the classifications within the fair value hierarchy, are as follows:

Beneficial interest in assets held by others – The fair value of HeartLine's beneficial interest in assets held by others is based on the fair value as reported by OCCF. These are considered to be Level 3 assets.

Assets measured at fair value on a recurring basis are classified within the fair value hierarchy at June 30, 2019 as follows:

	Carrying Amount	Total Fair Value	Fair Value Measurements Using		
			Level 1	Level 2	Level 3
ASSETS					
Beneficial Interest in Assets Held by Others	$ 61,025	$ 61,025	$ -	$ -	$ 61,025

Assets measured at fair value on a recurring basis are classified within the fair value hierarchy at June 30, 2018 as follows:

	Carrying Amount	Total Fair Value	Fair Value Measurements Using		
			Level 1	Level 2	Level 3
ASSETS					
Beneficial Interest in Assets Held by Others	$ 57,136	$ 57,136	$ -	$ -	$ 57,136

The following is a reconciliation of the beginning and ending balance of assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the year ended June 30, 2019 and 2018.

	2019	2018
Balance at beginning of year	$ 57,136	$ 55,909
Transfers to OCCF	-	-
Net investment performance	6,683	4,021
Distributions to HeartLine	(2,794)	(2,794)
Balance at end of year	$ 61,025	$ 57,136

The summary of changes in fair value of Level 3 assets has been prepared to reflect the activity in the same categories as those provided by OCCF. Net investment performance includes realized and unrealized gains (losses) on investments, investment income, and administrative fees and is included in change in beneficial interest in assets held by others in the accompanying statement of activities. Typically, distributions decrease HeartLine's respective financial asset and increase cash at the time of distribution.

6. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes or periods:

	2019	2018
Subject to expenditure for specified purposes:		
Remodeling	$ 6,121	$ 6,121
Accumulated endowment earnings	20,613	16,724
Festival of hope event	44,300	81,600
2-1-1 Database specialist	37,219	-
Subject to the passage of time:		
Time restricted for subsequent period	231,000	231,000
Endowments:		
Beneficial interest in assets held by community foundation	40,412	40,412
	$ 379,665	$ 375,857

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows:

	2019	2018
Satisfaction of purpose restrictions:		
Festival of hope event	$ 81,600	$ -
Distribution of accumulated endowment earnings	-	2,794
Time restricted for subsequent period	231,000	231,000
	$ 312,600	$ 233,794

7. ENDOWMENT DISCLOSURES

HeartLine's endowment was created through donor-restricted endowment funds to provide annual funding for HeartLine's operations and are held in the beneficial interest in assets held by OCCF as discussed in Note 3. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

HeartLine follows the ASC's guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 ("UPMIFA"). The Board of Directors of HeartLine has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. At June 30, 2019

and 2018, there were no such donor stipulations. As a result of this interpretation, HeartLine retains in perpetuity (a) the original value of initial and subsequent gift amounts (including promises to give net of discount and allowance for doubtful account) donated to the endowment and (b) any accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by us in a manner consistent with the standard of prudence prescribed by UPMIFA. HeartLine considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

(1) The duration and preservation of the fund;
(2) The purposes of HeartLine and the donor-restricted endowment fund;
(3) General economic conditions;
(4) The possible effect of inflation and deflation;
(5) The expected total return from income and the appreciation of investments;
(6) Other resources of HeartLine; and
(7) The investment policies of HeartLine.

Endowment net asset composition by type of fund as of June 30, 2019 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	$ -	$ 61,025	$ 61,025
Total endowment funds	$ -	$ 61,025	$ 61,025

Changes in endowment net assets for the fiscal year ended June 30, 2019 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ -	$ 57,136	$ 57,136
Investment return	-	6,683	6,683
Contributions	-	-	-
Appropriation of endowment assets for expenditure	-	(2,794)	(2,794)
Endowment net assets, end of year	$ -	$ 61,025	$ 61,025

Endowment net asset composition by type of fund as of June 30, 2018 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	$ -	$ 57,136	$ 57,136
Total endowment funds	$ -	$ 57,136	$ 57,136

Changes in endowment net assets for the fiscal year ended June 30, 2018 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ -	$ 55,909	$ 55,909
Investment return	-	4,021	4,021
Contributions	-	-	-
Appropriation of endowment assets for expenditure	-	(2,794)	(2,794)
Endowment net assets, end of year	$ -	$ 57,136	$ 57,136

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). HeartLine has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent spending measure required under law. At June 30, 2019 and 2018, there were no underwater endowments.

Return Objectives and Risk Parameters

HeartLine has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Under this policy, as approved by the board of directors, the endowment assets are invested with OCCF whose investment policies emphasize preservation of capital, protection against inflation and a continuing source of income.

Spending Policy and How the Investment Objectives Relate to Spending Policy

HeartLine's distribution policy is subject to OCCF's distribution policy which provides an annual distribution of five percent of the endowment fund net assets calculated on a rolling quarterly average of the previous twelve quarters. Distributions from the endowment are appropriated by the board of directors to be available for operations upon receipt.

8. LINE OF CREDIT

HeartLine has available a line of credit of $150,000 at BancFirst which matures on February 19, 2020. Monthly interest payments are being paid at a variable interest rate based on the prime rate with a floor of 5.5% per annum on all outstanding principal (5.50% at June 30, 2019). As of June 30, 2019 and 2018, the outstanding principal on the line of credit was $25,001 which is collateralized by HeartLine's building.

9. RECENT ACCOUNTING PRONOUNCEMENTS

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09 "Revenue from Contracts with Customers (Topic 606)." This authoritative guidance includes a comprehensive new revenue recognition model that requires revenue to be recognized in a manner to depict the transfer of goods or services to a customer at an amount that reflects the consideration expected to be received in exchange for those goods or services. The FASB has since issued several additional amendments to this guidance. In July 2015, the FASB approved a one-year deferral of the effective date of the new standard. The effective date of the amended standard will begin in periods beginning after December 15.

In June 2018, the FASB issued ASU No. 2018-08 "Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made". The new guidance clarifies and improves the scope and the accounting guidance for contributions received and contributions made. The amendments in this update should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions and (2) determining whether a contribution is conditional. The effective date of the amended standard will begin in periods beginning after December 15, 2018 when the entity is a resource recipient and in periods after December 15, 2019 when the entity is a resource provider.

Management is currently evaluating the impact that adopting the above recent accounting updates will have on HeartLine's financial statements in future reporting periods.

10. FUNCTIONALIZED EXPENSES

The financial statements report certain categories of expenses that 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, employee benefits, occupancy, advertising, office expenses, repairs and maintenance, information technology, insurance, conferences and training, dues and publications, professional fees, and travel and related expenses which are allocated on the basis of estimates of time and effort.

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INDEPENDENT AUDITOR'S 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 of
HeartLine, Inc.
Oklahoma City, Oklahoma

We have audited, in accordance with the 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, the financial statements of HeartLine, Inc. ("HeartLine") (a nonprofit organization), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 13, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered HeartLine's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the HeartLine's internal control.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether HeartLine's financial statements are free from 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

HSPG & Associates, P.C.

December 13, 2019