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**INDEPENDENT AUDITORS' REPORT**

The Board of Directors  
Hearts For the Homeless of Western New York, Inc.  
Buffalo, New York

***Report on the Financial Statements***

I have audited the accompanying financial statements of Hearts For the Homeless of Western New York, Inc., a nonprofit organization (the Organization), which comprise the statement of financial position as of December 31, 2017, and the related statements of activities, and cash flows for the year 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***

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

***Opinion***

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Supplemental Information***

My audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information contained on pages 4 and 5 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Buffalo, New York  
March 29, 2018

 CPA, PC,

## HEARTS FOR THE HOMELESS OF WESTERN NEW YORK, INC.

## Statement of Financial Position

December 31, 2017

ASSETS

## Current assets:

Cash, non-interest bearing, unrestricted	\$ 12,782
Prepaid expenses and advances	4,958
Security deposit	<u>260</u>
Total current assets	18,000

Property and equipment (Notes 2 & 3)	<u>345,458</u>
	<u>\$ 363,458</u>

LIABILITIES AND NET ASSETS

## Current liabilities:

Accounts payable	\$ 2,404
Withheld and accrued payroll taxes	212
Accrued payroll	2,040
Current maturities of long-term debt (Note 4)	<u>5,000</u>
Total current liabilities	9,656

Long-term debt (Note 4)	-0-
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## Net assets: (Notes 1 &amp; 5)

## Unrestricted:

Undesignated	10,344
Represented by equipment	<u>343,458</u>
Total net assets	<u>353,802</u>

	<u>\$ 363,458</u>
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The accompanying notes are an integral part of these financial statements.

## HEARTS FOR THE HOMELESS OF WESTERN NEW YORK, INC.

## Statement of Activities

For the year ended December 31, 2017

Resources:		
Support:		
In kind support for distribution to needy	\$	220,000
Offerings		116,779
Grants received		72,059
Hearts Foundation, Inc.		55,000
Church and corporate support		<u>41,890</u>
Total support		505,728
Revenues:		
Various sales		<u>103</u>
Total revenue		<u>103</u>
Total resources		505,831
Expenditures:		
Program services		254,880
Personnel costs		128,453
Administrative and general		<u>57,789</u>
Total expenditures		<u>441,122</u>
Change in net assets:		
Excess resources		64,709
Net assets, beginning of year		<u>289,093</u>
Net assets, end of year	\$	<u><u>353,802</u></u>

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

## HEARTS FOR THE HOMELESS OF WESTERN NEW YORK, INC.

## Statement of Cash Flow

For the year ended December 31, 2017

Cash Flows from Operating Activities:	
Change in net assets	\$ 64,709
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Decrease in prepaid expenses	782
Increase in accounts payable	1,182
Increase in withheld and accrued payroll taxes	79
Increase in accrued payroll	350
Decrease in current maturities of long-term debt	(15,913)
Decrease in long-term debt	(102)
Depreciation	<u>18,743</u>
Net cash used by operating activities	69,830
Cash Flows from Investing Activities:	
Sale of property, net	10,000
Cash paid for equipment and building improvements	<u>(81,821)</u>
Net cash used by investing activities	<u>(71,821)</u>
Net decrease in cash	(1,991)
Cash balance, beginning of year	<u>14,773</u>
Cash balance, end of year	<u>\$ 12,782</u>

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

## HEARTS FOR THE HOMELESS OF WESTERN NEW YORK, INC.

## Schedules of Expenditures

For the year ended December 31, 2017

Program Services:	
In kind support distribution to needy	\$ 220,000
Depreciation	18,743
Motorhome food	4,648
Motorhome and truck repairs and maintenance	2,172
Kitchen supplies	1,916
Annual banquet	1,845
Benevolences to needy	1,529
Motorhome and truck fuel	1,487
Webpage and internet	1,306
Newsletter	505
Awards and gifts	341
Licenses	282
Ministry travel	106
Total program services	<u>\$ 254,880</u>
Personnel Costs:	
Officers salaries	\$ 64,386
Staff salaries	42,227
Medical insurance and costs	9,771
Payroll taxes	8,129
Life insurance	2,354
Workers compensation and disability	676
Payroll preparation	588
Day labor	322
Total personnel costs	<u>\$ 128,453</u>

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

## HEARTS FOR THE HOMELESS OF WESTERN NEW YORK, INC.

## Schedules of Expenditures (cont.)

For the year ended December 31, 2017

Administrative and General:	
Insurance	\$ 16,455
Building and equipment maintenance	14,932
Utilities	4,965
Legal services	3,697
Accounting and audit services	2,850
Postage	2,302
Telephone and related	1,848
Office supplies and expenses	1,703
Interest expense	1,656
Real estate taxes	1,482
Computer supplies and expenses	1,360
Water/sewer	1,027
Fees	1,025
Printing	931
Equipment rental	720
Snow and trash removal	384
Bank charges	227
NYS filing fees	125
Advertising	100
Total administrative and general	<u>\$ 57,789</u>

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

## HEARTS FOR THE HOMELESS OF WESTERN NEW YORK, INC.

## Notes to Financial Statements

December 31, 2017

## Note 1 – Nature of Organization:

Hearts For the Homeless of Western New York, Inc. is a mobile humanitarian outreach to the homeless. Volunteers offer homeless persons immediate relief from the weather, danger, insecurity, and loneliness of the streets. The persons served are offered warm and caring companionship, friendship, and a message of hope for the future. The project is supervised by an elected board of directors and guided by an appointed "steering group" made up of volunteers who are actively involved in the program.

Hearts For the Homeless of Western New York, Inc. was incorporated in New York State under section 402 of the Not-For-Profit Corporation Law on June 29, 1993.

Hearts For the Homeless of Western New York, Inc. is exempt from income tax under Section 501(c)(3) of the U.S. Internal Revenue Code (the Code) and comparable state law, and therefore, contributions by the public are tax deductible within the limitations prescribed by the Code. The organization has been classified as a publicly supported organization, which is not a private foundation under Section 509(a) of the Code. The organization files an annual Internal Revenue Service Form 990, "Return of Organization Exempt from Income Tax." The organization has registered with the New York State Charitable Foundations Division as a Charitable Corporation, and files an annual New York State Form CHAR-500, "Annual Filing for Charitable Organizations."

## HEARTS FOR THE HOMELESS OF WESTERN NEW YORK, INC.

## Notes to Financial Statements

December 31, 2017

## Note 2 - Summary of Significant Accounting Policies:

The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

The organization's accounts are maintained, and these financial statements are presented, on the accrual basis of accounting. This method is required by United States generally accepted accounting principles. The assets and liabilities of Hearts Foundation, Inc. are reported as one of three classes of net assets: unrestricted, temporarily restricted, or permanently restricted, in accordance with FASB ASC 958-205.

The accounts are maintained in accordance with the principles of fund accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds established according to their nature and purposes.

Hearts For the Homeless of Western New York, Inc. uses estimates and assumptions in preparing financial statements in accordance with U.S. generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were assumed in preparing the financial statements.

Property and equipment are recorded at cost. Fixed assets acquired after December 31, 1986 are depreciated using the modified accelerated cost recovery system. (MACRS). (See Note 3).

Maintenance and repairs are charged to operations when incurred. Betterments and renewals are capitalized. When property and equipment is sold or otherwise disposed of, the asset account and related accumulated depreciation account are relieved, and any gain or loss is included in operations.

## HEARTS FOR THE HOMELESS OF WESTERN NEW YORK, INC.

## Notes to Financial Statements (cont.)

December 31, 2017

**Net Assets**

The financial statements report amounts separately by class of net assets as follows:

**Unrestricted** - Net assets that are neither permanently nor temporarily restricted by donor-imposed stipulations. The organization may designate portions of its unrestricted net assets as board designated for various purposes.

**Temporarily restricted** - Net assets resulting from contributions and other inflows of assets, whose use by the organization is limited by donor imposed stipulations that either expire by the passage of time or can be fulfilled, or otherwise removed, by actions of the organization meeting the purpose of the restriction.

**Permanently restricted** - Net assets resulting from contributions and other inflows of assets whose use by the organization is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled, or otherwise removed, by actions of the organization. Although such assets cannot be expended, the investment income earned on them is generally to be expended for a specific purpose.

The organization has removed certain capital assets from its books. These capital assets, all fully depreciated, were determined to be out-of-service due to obsolescence or retirement. (See Note 3).

## HEARTS FOR THE HOMELESS OF WESTERN NEW YORK, INC.

## Notes to Financial Statements (cont.)

December 31, 2017

## Note 2 - Summary of Significant Accounting Policies (cont.):

**Resources**

Contributions are recorded when made, which may be when cash is received, unconditionally promised, or ownership of donated assets is transferred. Hearts for the Homeless of Western New York, Inc. shows restricted contributions whose restrictions have been met in the reporting period as unrestricted support. If the restrictions are not satisfied in the same reporting period, the contributions are recorded as temporarily restricted. Upon satisfaction of the restriction, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from purpose restrictions. All contributions are considered available for the general program of the organization, unless specifically restricted by the donor or subject to other legal restrictions.

Hearts For the Homeless of Western New York, Inc. treats all receipts as “unrestricted” and available for general operational purposes, except gifts and contributions from donors who have specified the purposes for which their contributions are to be used and amounts designated by the Board of Directors as restricted for a particular use.

In the absence of donor restrictions as to the periods in which funds received from legacies and bequests are to be used, revenue is recorded when the award is received.

Contributions other than cash are recorded at the fair market value of the donated asset at the date of donation.

**Allocation of Expenditures**

The costs of providing the various program services and supporting activities of the organization have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program services and supporting activities.

## HEARTS FOR THE HOMELESS OF WESTERN NEW YORK, INC.

## Notes to Financial Statements (cont.)

December 31, 2017

## Note 3 – Property and Equipment:

The following is a summary of property and equipment, at cost, less accumulated depreciation at December 31, 2017:

Building and improvements	\$ 508,016
Building equipment	63,069
Transportation equipment	26,646
Office equipment	6,125
Computer equipment	4,417
Kitchen equipment	<u>210</u>
	608,483
Less: accumulated depreciation	<u>263,025</u>
Net property and equipment	<u><u>\$ 345,458</u></u>

Depreciation expense amounted to \$18,743. for the year ended December 31, 2017.

There is no depreciation provided for on land.

The useful lives of property and equipment for purposes of computing depreciation are:

Building and improvements	39 years
Building equipment	7 years
Transportation equipment	7 years
Office equipment	7 years
Computer equipment	5 years
Kitchen equipment	7 years

Building and improvements are unencumbered at December 31, 2017.

All equipment is unencumbered at December 31, 2017.

## HEARTS FOR THE HOMELESS OF WESTERN NEW YORK, INC.

## Notes to Financial Statements (cont.)

December 31, 2017

## Note 4 - Long-term Debt:

The following is a summary of long-term debt at December 31, 2017:

M & T Bank; interest at 7.728%; line of credit up to \$25,000.	\$ <u>5,000</u>
	5,000
Less: current maturities included in current liabilities.	<u>5,000</u>
Long-term debt	<u><u>\$ -0-</u></u>

## HEARTS FOR THE HOMELESS OF WESTERN NEW YORK, INC.

## Notes to Financial Statements (cont.)

December 31, 2017

## Note 5 - Donated Services:

No amounts have been reflected in the financial statements for donated services as no objective basis is available to measure the value of such services; however, a substantial number of volunteers have donated significant amounts of their time in the organization's program services.