

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

June 30, 2009

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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 10-11**

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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, 2009, 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, 2009, 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 28, 2009, 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.

September 28, 2009

HeartLine, Inc.
Statement of Position
June 30, 2009

Assets

Cash on Hand and Demand Deposits	17,712.74
Accounts Receivable	27,491.84
Prepaid Insurance	2,241.82
Beneficial Interest in Assets Held by Others	41,487.00
Property and Equipment, Net	<u>247,214.99</u>
Total Assets	<u>\$ 336,148.39</u>

Liabilities and Net Assets

Liabilities

Accounts Payable	8,286.66
Accrued Liabilities	23,266.23
Capital Lease	5,925.96
Line of Credit	95,160.00
Note Payable - United Way	25,000.00
Compensated Absences	<u>16,208.26</u>
Total Liabilities	173,847.11

Net Assets

Permanently Restricted	59,116.44
Temporarily Restricted	10,577.70
Unrestricted Funds	<u>92,607.14</u>
Total Net Assets	<u>162,301.28</u>
Total Liabilities and Net Assets	<u>\$ 336,148.39</u>

HeartLine, Inc.
Statement of Activities
For the Year Ending June 30, 2009

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenues, Gains and Other Support				
Grants	0.00	12,750.00	0.00	12,750.00
Contributions	152,743.54	0.00	0.00	152,743.54
Special Events	121,058.77	0.00	0.00	121,058.77
United Way Allocation	183,016.64	0.00	0.00	183,016.64
Contract Services	401,354.75	0.00	0.00	401,354.75
Other Program Income	1,669.60	0.00	0.00	1,669.60
Investment Gains (Losses)	75.60	0.00	0.00	75.60
Net Assets Released from Restrictions	12,750.00	(12,750.00)	0.00	0.00
Total Revenues, Gains and Other Support	<u>872,668.90</u>	<u>0.00</u>	<u>0.00</u>	<u>872,668.90</u>
Expenditures				
Administration	124,323.24	0.00	0.00	124,323.24
Crisis Helpline	18,234.76	0.00	0.00	18,234.76
211	586,892.08	0.00	0.00	586,892.08
Choices	4,053.03	0.00	0.00	4,053.03
Gatekeeper	17,107.23	0.00	0.00	17,107.23
Fundraising	129,169.95	0.00	0.00	129,169.95
Volunteer Center	65,675.86	0.00	0.00	65,675.86
Total Expenditures	<u>945,456.15</u>	<u>0.00</u>	<u>0.00</u>	<u>945,456.15</u>
Change in Net Assets	(72,787.25)	0.00	0.00	(72,787.25)
Beginning Net Assets	<u>165,394.39</u>	<u>10,577.70</u>	<u>59,116.44</u>	<u>235,088.53</u>
Ending Net Assets	<u>\$ 92,607.14</u>	<u>\$ 10,577.70</u>	<u>\$ 59,116.44</u>	<u>\$ 162,301.28</u>

HeartLine, Inc.
Statement of Cash Flows
For the Year Ended June 30, 2009

CASH FLOWS FROM OPERATING ACTIVITIES	
Net Income (Loss)	\$ (72,787.25)
Adjustments to reconcile Net Income (Loss) to net Cash Provided by (used in) operating activities:	
Depreciation and Amortization	16,469.00
Decrease (Increase) in Operating Assets and Operating Liabilities	
Accounts Receivable	(25,938.39)
Prepaid Insurance	(65.50)
Accounts Payable	5,053.08
Accrued Liabilities	3,503.97
Compensated Absences	513.77
Total Adjustments	<u>(464.07)</u>
Net Cash Provided By (Used In) Operating Activities	<u>(73,251.32)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of Fixed Assets	(20,460.57)
Change in Other Assets	10,438.90
Net Cash Provided By (Used In) Investing Activities	<u>(10,021.67)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Notes Payable Borrowings	122,660.00
Notes Payable Repayments	<u>(39,382.24)</u>
Net Cash Provided By (Used In) Financing Activities	<u>83,277.76</u>
NET INCREASE (DECREASE IN CASH AND CASH EQUIVALENTS)	4.77
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	<u>17,707.77</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u><u>\$ 17,712.54</u></u>
Supplemental Information:	
Interest Paid	\$ 3,399.12

HeartLine, Inc.
Statement of Functional Expense
June 30, 2009

	Administration	Crisis Helpline	211	Choices	Gatekeeper	Fundraising	Volunteer Center	Total
Salaries & Wages	57,501.81	12,106.53	467,040.97	(109.64)	14,150.33	59,323.36	42,123.18	\$ 652,136.54
Employee Benefits	15,334.71	85.27	42,793.79	0.00	45.92	5,259.65	4,381.93	67,901.27
Occupancy	2,151.75	1,111.96	13,916.90	0.00	550.55	2,297.17	2,603.09	22,631.42
Office Expenses	17,673.24	1,205.26	34,546.54	1,041.76	1,692.96	6,288.11	10,428.16	72,876.03
Telephone	4,034.11	3,449.08	13,802.95	474.61	518.49	1,221.54	1,397.35	24,898.13
Insurance	366.39	170.10	3,781.53	0.00	91.60	477.62	1,655.26	6,542.50
Conferences & Training	0.00	0.00	4,699.02	89.00	0.00	0.00	0.00	4,788.02
Dues & Publications	604.20	1.95	63.35	200.00	1.05	350.48	1,518.97	2,740.00
Professional Fees	7,634.00	104.00	2,312.00	0.00	56.00	292.00	1,012.00	11,410.00
Advertising	295.00	0.00	0.00	0.00	0.00	0.00	0.00	295.00
Travel & Related Expenses	2,259.03	0.61	3,935.03	2,357.30	0.33	2,801.09	555.92	11,909.31
Special Events Expense	0.00	0.00	0.00	0.00	0.00	50,858.93	0.00	50,858.93
Depreciation	16,469.00	0.00	0.00	0.00	0.00	0.00	0.00	16,469.00
Total Expenses	124,323.24	18,234.76	586,892.08	4,053.03	17,107.23	129,169.95	65,675.86	\$ 945,456.15

Heartline, Inc.
Notes to the Financial Statements
As of and for the Year Ended June 30, 2009

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 35% of total revenues and is 100% of the accounts receivable balance as of June 30, 2009.

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 \$17,350.

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	266,611	13,541		280,152
Equipment and Furniture	95,950	6,920		102,870
Total Assets	372,161			392,622
Accumulated Depreciation	(128,938)	(16,469)		(145,407)
Total Property and Equipment, Net	<u>\$ 243,223</u>			<u>\$ 247,215</u>

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, 2009, the aggregate value of the beneficial interest was \$41,487.

Defined Contribution Pension Plan

Plan Description. Heartline contributes to a defined contribution pension plan (SEP) administered by Mutual of America. The plan provides retirement benefits to all participating employees, who are 100% vested after 1 year.

Funding Policy. Heartline contributes 4% of eligible employee salaries and participating employees are not required to contribute. For the year just ended, contributions were \$0.00. Contributions were discontinued in January 2003 due to budget constraints.

CAPITAL LEASE

During the year ending June 30, 2006, Heartline purchased equipment and financed the equipment by means of a capital lease. The original lease amount was \$20,895 and the equipment was capitalized at this value. As of June 30, 2009 the net present value of the lease was \$5,926. The lease calls for 60 monthly payments of \$413. As of June 30, 2009 there were 15 payments remaining. The lease has an interest rate of 7%. Principal needed to amortize this obligation for the next five years is as follows:

2009/2010	4,699
2010/2011	<u>1,227</u>
Totals	<u>\$ 5,926</u>

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, 2009. 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. The line of credit is to be paid in full by February 9, 2010. Monthly interest payments are being paid at an interest rate of 4% per annum on all outstanding principal. As of June 30, 2009, the outstanding principal on the line of credit was \$95,160.

NOTE PAYABLE

In May 2009, Heartline received a \$25,000 loan from the United Way of Central Oklahoma. This is an interest free loan and payments should start in October 2009. The remaining balance of the loan should be paid by June 2010. In the event that Heartline does not make payments on time or in sufficient amount, the balance of the loan will be collected from Heartline's allocation. As part of the loan agreement, the United Way of Central Oklahoma has the right to appoint a person of their choosing to the board of directors. This appointed member shall also serve on the search committee for all future executive positions.

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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, 2009, and have issued our report thereon dated September 28, 2009. 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 control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the organization's financial statements that is more than inconsequential will not be prevented or detected by the organization's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the organization's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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.

September 28, 2009