

H.E.R.O.E.S. CARE, INC.
AUDITED FINANCIAL STATEMENTS
DECEMBER 31, 2018

H.E.R.O.E.S. CARE, INC.
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FINANCIAL SECTION



**Daniel Jones
& Associates**
CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS OF
MISSOURI SOCIETY OF CPA'S
AMERICAN INSTITUTE OF CPA'S

INDEPENDENT AUDITOR'S REPORT

To The Board of Trustees of
H.E.R.O.E.S. Care, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of H.E.R.O.E.S. Care, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, functional expenses, 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

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. 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 H.E.R.O.E.S. Care, Inc. as of December 31, 2018, 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.

Daniel Jones & Associates

DANIEL JONES & ASSOCIATES, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
ARNOLD, MISSOURI

March 21, 2019

BASIC FINANCIAL STATEMENTS

H.E.R.O.E.S. CARE, INC.
STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2018

	ASSETS		
	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 144,165	\$ 8,704	\$ 152,869
Accounts Receivable	100,000	-	100,000
Inventory - In Kind Goods	2,940,486	-	2,940,486
Total Current Assets	<u>3,184,651</u>	<u>8,704</u>	<u>3,193,355</u>
Non-Current Assets:			
Property, Plant, and Equipment, Net	25,816	-	25,816
Total Non-Current Assets	<u>25,816</u>	<u>-</u>	<u>25,816</u>
TOTAL ASSETS	<u><u>3,210,467</u></u>	<u><u>8,704</u></u>	<u><u>3,219,171</u></u>
LIABILITIES & NET ASSETS			
LIABILITIES			
Accounts Payable	913	-	913
Line of Credit	24,857	-	24,857
TOTAL LIABILITIES	<u>25,770</u>	<u>-</u>	<u>25,770</u>
NET ASSETS			
Without Donor Restrictions	3,184,697	-	3,184,697
With Donor Restrictions	-	8,704	8,704
TOTAL NET ASSETS	<u>3,184,697</u>	<u>8,704</u>	<u>3,193,401</u>
TOTAL LIABILITIES & NET ASSETS	<u><u>\$ 3,210,467</u></u>	<u><u>\$ 8,704</u></u>	<u><u>\$ 3,219,171</u></u>

The notes to the financial statements are an integral part of this statement.

H.E.R.O.E.S. CARE, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2018

	<u>WITHOUT DONOR RESTRICTIONS</u>	<u>WITH DONOR RESTRICTIONS</u>	<u>TOTAL</u>
REVENUES, GAINS, AND OTHER SUPPORT			
Contributions			
Donations	\$ 775,919	\$ -	\$ 775,919
In Kind Contributions	13,535,666	-	13,535,666
Other	143	-	143
Revenue Released from Restrictions	<u>9,453</u>	<u>(9,453)</u>	<u>-</u>
TOTAL REVENUES, GAINS, AND OTHER SUPPORT	14,321,181	(9,453)	14,311,728
Expenses			
Programs	13,849,075	-	13,849,075
Administrative	115,850	-	115,850
Fundraising	<u>118,771</u>	<u>-</u>	<u>118,771</u>
TOTAL EXPENSES	<u>14,083,696</u>	<u>-</u>	<u>14,083,696</u>
CHANGE IN NET ASSETS	237,485	(9,453)	228,032
NET ASSETS, BEGINNING OF YEAR	<u>2,947,212</u>	<u>18,157</u>	<u>2,965,369</u>
NET ASSETS, END OF YEAR	<u>\$ 3,184,697</u>	<u>\$ 8,704</u>	<u>\$ 3,193,401</u>

The notes to the financial statements are an integral part of this statement.

H.E.R.O.E.S. CARE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2018

	Program Services		Support Services		Total
	Programs	General and Administrative	Fundraising		
Compensation and Related Expense					
Salaries	\$ 184,877	\$ 19,775	\$ 76,832	\$	281,484
Payroll Taxes	17,082	3,629	6,523		27,234
	<u>201,959</u>	<u>23,404</u>	<u>83,355</u>		<u>308,718</u>
Professional Fees					
Payroll Services	-	1,561	-		1,561
Technology Services	666	6,326	6,102		13,094
Audit Services	-	11,800	-		11,800
Background Check Services	367	-	-		367
Development Services	-	-	-		-
Attorney Fees	-	3,000	-		3,000
Other Professional Services	10,976	3,898	400		15,274
Accounting Services	-	1,581	-		1,581
Supplies					
Office Supplies	158	1,601	200		1,959
Warehouse Supplies	43	1,494	-		1,537
Printing Supplies	9,465	1,189	-		10,654
Technology Supplies	-	1,764	1,474		3,238
Event supplies	3	-	540		543
Promotional Supplies	1,319	2,140	1,353		4,812
Heroes Training	246	-	-		246
Communication					
Internet Services	2,572	1,119	357		4,048
Cell Phone Service	2,952	572	411		3,935
Postage and Shipping					
Postage	285	396	457		1,138
Shipping	1,672	187	-		1,859
Occupancy					
Building Rent	52,125	10,425	6,950		69,500
Vehicle Maintenance	-	3,784	-		3,784
Utilities	5,969	3,867	664		10,500
Insurances	453	6,758	-		7,211
Liscenses and Fees	-	3,246	2,623		5,869
Facilities Repairs	250	1,667	-		1,917
Occupancy - Other	-	50	-		50
Printing and Publications					
Advertising	-	-	500		500
Event Items	-	-	313		313
Travel					
Commercial Airlines	816	-	-		816
Fuel	14,489	328	2,251		17,068
Lodging	3,367	-	203		3,570
Meals and Incidentals	1,893	7	341		2,241
Rental of Vehicle	1,816	-	-		1,816
Travel - Other	398	-	-		398
Conference and Meetings					
Registration Fees	-	-	181		181

The notes to the financial statements are an integral part of this statement.

H.E.R.O.E.S. CARE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2018

	Program Services		Support Services		Total
	Programs	General and Administrative	Fundraising		
Specific Assistance					
Holiday Program	\$ 382	\$ -	\$ -		\$ 382
Military Family Events	890	-	-		890
Care Packages	2,494	-	-		2,494
Bereavement	300	-	-		300
Direct Assistance - Other	724	-	-		724
Transportation	1,034	-	-		1,034
Network	5,000	-	-		5,000
Auto Payment - Insurance	1,113	-	-		1,113
Auto Repair - Maintenance	2,931	-	-		2,931
Computer Assistance	149	-	-		149
Food Assistance	4,078	-	-		4,078
Household/Baby Items	7,355	-	-		7,355
Home Repair Assistance	7,856	-	-		7,856
Morale- Other	4,963	-	-		4,963
Moving/Relocation	4,200	-	-		4,200
Counseling/Referral Services	3,153	-	-		3,153
Rent/Mortgage Assistance	4,286	-	-		4,286
Travel Assistance	200	-	-		200
Utilities Assistance	6,907	-	-		6,907
Appliance Repair Assistance	150	-	-		150
Specific Assistance - Other	100	-	-		100
Membership and Dues					
Membership Dues	845	200	1,298		2,343
Membership & Dues - Other	-	-	-		-
Special Events					
Special Events - Other	11	-	8,471		8,482
In-Kind Expenses					
Gift Cards	-	-	-		-
Goods	13,475,695	-	-		13,475,695
Holiday Program	-	-	-		-
Disaster Relief	-	-	-		-
Furniture	-	-	-		-
Services	-	-	-		-
Miscellaneous Expense					
Bank Charges	-	1,112	44		1,156
Credit Card Fees	-	2,374	283		2,657
Miscellaneous Expenses - Other	-	138	-		138
Depreciation	-	13,086	-		13,086
Staff and Volunteer Gifts	-	6,776	-		6,776
	<u>\$ 13,849,075</u>	<u>\$ 115,850</u>	<u>\$ 118,771</u>		<u>\$ 14,083,696</u>

The notes to the financial statements are an integral part of this statement.

H.E.R.O.E.S. CARE, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2018

CASH FLOWS FROM OPERATING ACTIVITIES

Increase (Decrease) In Net Assets	\$	228,032
Adjustments to Reconcile Increase (Decrease) In Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation		13,086
(Increase) Decrease in Operating Assets		
Inventory		(59,997)
(Increase) Decrease in Accounts Receivable		(100,000)
Increase (Decrease) in Operating Liabilities		
Accounts payable		(626)
Short Term-Loans Payable		24,857
		<hr/>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		105,352

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of Vehicle		-
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR		<hr/> 47,517
CASH AND CASH EQUIVALENTS, END OF YEAR	\$	<hr/> <hr/> 152,869

The notes to the financial statements are an integral part of this statement.

H.E.R.O.E.S. CARE, INC.
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Nature of Business

H.E.R.O.E.S. Care, Inc. (“Organization”) is a non-profit Missouri corporation, organized for the purpose of providing assistance to families of deployed military and families of wounded service members in Missouri and Southwest Illinois.

B. Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets are classified as without donor restrictions and with donor restrictions based upon the existence or absence of donor-imposed or grantor-imposed restrictions. In the accompanying financial statements, net assets that have similar characteristics have been combined as follows:

1. Net Assets with Donor Restrictions – Net assets subject to donor-imposed or grantor-imposed stipulations that they may be maintained permanently by the Organization. Generally, the donors or grantors of these types of assets permit the Association to use all or part of the investment return on these assets. This category also includes net assets whose use by the Association is subject to donor-imposed or grantor-imposed stipulations that can be fulfilled by actions of the Organization pursuant to those stipulations or that expire by the passage of time.
2. Net Assets without Donor Restrictions – Net assets that are not subject to donor-imposed or grantor-imposed stipulations. Net assets without donor restrictions may be designated for specific purposes by action of the Board or may otherwise be limited by contractual agreements with outside parties.

C. Cash and Cash Equivalents

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

H.E.R.O.E.S. CARE, INC.
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor.

E. Donated Services

Donated services are recognized as contributions in accordance with SFAS No. 116, Accounting for Contributions Received and Contributions Made, if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization.

Volunteers have donated their time in carrying out the Organization's operations and various programs. These services are not reflected in the accompanying financial statements since they did not meet the recognition criteria of SFAS No. 116.

F. Donated Property and Equipment

Donations of property and equipment are recorded as contributions at fair value at the date of donation. Such donations are reported as increases in unrestricted net assets unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use, and contributions of cash that must be used to acquire property and equipment, are reported as restricted contributions. In the case of absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

G. 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 of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

H. Inventory

Inventory consists of donated items and is recorded at estimated fair value at the date of donation. Cost is determined on the first-in, first-out method.

H.E.R.O.E.S. CARE, INC.
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)

I. Subsequent Events

Management has evaluated subsequent events through March 21, 2019, the date the financial statements were issued.

- J. Income Taxes: The Organization is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code and comparable state law as charitable organizations whereby only unrelated business income, as defined by Section 509(a)(2) of the Code, is subject to federal income tax. The Organization currently has no unrelated business income. Accordingly, no provision for income taxes has been recorded. The Organization has adopted provisions of FASB standard on Accounting for Uncertainty in Income Taxes (ASV 740-10-25). The Organization does not believe there are any material uncertain tax provisions and, accordingly, they will not recognize any liability for unrecorded tax benefits. The Organization's Forms 990, Return for Organization Exempt from Income Taxes, for the years ended December 31, 2018, 2017, and 2016 are subject to examination by the IRS, generally three years after they were filed.

II. CASH AND CASH EQUIVALENTS

At December 31, 2018, the cash and bank balances of the Organization's deposits totaled \$152,869, and \$155,703, respectively. The total of \$155,703 was covered by FDIC insurance at December 31, 2018.

III. CAPITAL ASSETS

All purchased property and equipment is capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use, and contributions of cash that must be used to acquire property and equipment, are reported as restricted contributions. Depreciation for reporting purposes is provided on the straight-line method over the estimated useful lives of the assets.

Furniture, Equipment and Books	3-10 Years
Building and Improvements	39-50 Years
Automobiles	5 Years

Upon disposition of furniture, fixtures or books, the asset cost and related accumulated depreciation are eliminated from the respective accounts. Any gain or loss is included in current operations. Expenditures for maintenance and repairs, which do not materially extend the life of assets, are included in operating expenses.

H.E.R.O.E.S. CARE, INC.
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

III. CAPITAL ASSETS (concluded)

Description	Balance December 31, 2017	Additions	Disposals And Adjustments	Balance December 31, 2018
Depreciable Assets:				
Automobiles	\$ 65,027	\$ -	\$ -	\$ 65,027
Equipment	400	-	-	400
Total Depreciable Assets	65,427	-	-	65,427
Less: Accumulated Depreciation	(26,525)	(13,086)	-	(39,611)
Total Depreciable Assets, Net	\$ 38,902	\$ (13,086)	\$ -	\$ 25,816

IV. RELATED PARTY TRANSACTIONS

Various members of the Board of Trustees perform services for H.E.R.O.E.S. Care, Inc., including among other things, construction and banking services. These services are provided at discounted rates/fees and/or at no charge. The value of these donated services has been valued and recorded as operating revenue in accordance to SFAS No. 116, *Accounting for Contributions Received and Contributions Made*.

V. OPERATING LEASES

As of March 28, 2016, H.E.R.O.E.S. Care, Inc. leases a building from True North Properties LLC with monthly payments of \$5.50 per square foot amounting to \$5,792 per month. The lease is annually renewable every November 30. The future minimum payment of this lease for 2019 is \$69,500.

VI. LINE OF CREDIT

During the year, H.E.R.O.E.S. Care, Inc. received \$25,000 in a short-term line of credit through Regions Bank. The current balance of the loan is \$24,857.

VII. CONTINGENCIES

The Organization is not involved in any pending litigation as of the audit report date that is required to be disclosed.

VIII. SUBSEQUENT EVENTS

There are no subsequent events to note for the year ended December 31, 2018.

COMPLIANCE SECTION

H.E.R.O.E.S. CARE, INC.
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2018

I. FINANCIAL STATEMENT FINDINGS

No findings were noted for the year ended December 31, 2018.

H.E.R.O.E.S. CARE, INC.
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2018

I. FINANCIAL STATEMENT FINDINGS – PRIOR YEAR

No findings were noted in the prior year.