ONE HEARTLAND

ESTD 1993

ONE HEARTLAND, INC.
(A NOT-FOR-PROFIT ORGANIZATION)

FINANCIAL STATEMENTS

MARCH 31, 2017 AND 2016

CEA

CERTIFIED PUBLIC ACCOUNTANTS

CONTENTS

Carpenter, Evert & Associates

Certified Public Accountants
7760 France Avenue S. Suite 940 Bloomington Minnesota 55435
952.831.0085 carpenterevert.com

Independent Auditor's Report

Board of Directors
One Heartland, Inc.
Minneapolis, Minnesota

We have audited the accompanying financial statements of One Heartland, Inc. which comprise the statement of financial position as of March 31, 2017, and the related statements of activities and changes in net assets, functional expense, 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 of 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 One Heartland, Inc. as of March 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.

Prior Period Financial Statements

The financial statements of One Heartland, Inc. which comprise the statement of financial position as of March 31, 2017 and the related statements of activities and changes in net assets, functional expense, and cash flows for the year then ended, were audited by other auditors whose report dated July 25, 2016, expressed an unmodified opinion on those statements.

Carpenter, Evert & Associates, Ltd.
Certified Public Accountants

Minneapolis, Minnesota
October 27, 2017

ONE HEARTLAND, INC.

STATEMENTS OF FINANCIAL POSITION

MARCH 31,	2017	2016
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 63,863	$ 67,637
Pledges receivable, current	112,976	543,118
Prepaid expenses	2,846	5,111
Total current assets	**179,685**	**615,866**
OTHER ASSETS		
Unemployment reserves	17,063	17,705
Pledges receivable, long-term	60,000	-
Total other assets	**77,063**	**17,705**
PROPERTY AND EQUIPMENT, net	**1,566,793**	**1,697,052**
Total assets	**$ 1,823,541**	**$ 2,330,623**
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current portion of long term debt	$ 34,504	$ 96,998
Accounts payable	41,857	172,228
Line of credit	97,011	-
Accrued expenses and withholdings	13,034	11,072
Deferred income	4,480	7,545
Total current liabilities	**190,886**	**287,843**
LONG TERM DEBT, net, less current portion	**628,851**	**867,663**
Total liabilities	**819,737**	**1,155,506**
NET ASSETS		
Unrestricted	830,828	590,428
Temporarily restricted	172,976	584,689
Total net assets	**1,003,804**	**1,175,117**
Total liabilities and net assets	**$ 1,823,541**	**$ 2,330,623**

The Notes to Financial Statements are an integral part of these statements.

ONE HEARTLAND, INC.

STATEMENTS OF ACTIVITIES

YEAR ENDED MARCH 31, 2017

	Unrestricted	Temporarily Restricted	Total
REVENUE AND SUPPORT			
Contributions	$ 448,395	$ 147,976	$ 596,371
Contributions in-kind	556,656	-	556,656
Students/Friends for Camp Heartland	63,235	-	63,235
Special event revenue, including in-kind donations of $75,932	308,551	-	308,551
Less direct benefit to donor expenses, including in-kind donations of $75,932	(144,978)	-	(144,978)
Program income	125,149	-	125,149
Rental income	128,079	-	128,079
Gain (loss) on disposal of property and equipment	(16,620)	-	(16,620)
Other revenues	14,582	-	14,582
	1,483,049	147,976	1,631,025
Net assets released from restrictions	559,689	(559,689)	-
Total revenue and support	**2,042,738**	**(411,713)**	**1,631,025**
EXPENSES			
Program related	1,428,557	-	1,428,557
General and administrative	210,134	-	210,134
Fundraising	163,646	-	163,646
Total expenses	**1,802,338**	**-**	**1,802,338**
Change in net assets	**240,400**	**(411,713)**	**(171,313)**
Net Assets, beginning of year	**590,428**	**584,689**	**1,175,117**
Net assets, end of year	**$ 830,828**	**$ 172,976**	**$ 1,003,804**

The Notes to Financial Statements are an integral part of these statements.

ONE HEARTLAND, INC.

STATEMENTS OF ACTIVITIES

YEAR ENDED MARCH 31, 2016

	Unrestricted	Temporarily Restricted	Total
REVENUE AND SUPPORT			
Contributions	$ 485,640	$ 543,118	$ 1,028,758
Contributions in-kind	438,894	-	438,894
Students/Friends for Camp Heartland	41,716	-	41,716
Special event revenue, including in-kind donations of $31,366	233,904	-	233,904
Less direct benefit to donor expenses, including in-kind donations of $31,366	(80,925)	-	(80,925)
Program income	124,107	-	124,107
Rental income	192,911	-	192,911
Gain (loss) on disposal of assets	(8,000)	-	(8,000)
Other revenues	1,021	-	1,021
	1,429,268	543,118	1,972,386
Net assets released from restrictions	352,429	(352,429)	-
Total revenue and support	**1,781,697**	**190,689**	**1,972,386**
EXPENSES			
Program related	1,491,071	-	1,491,071
General and administrative	74,585	-	74,585
Fundraising	128,389	-	128,389
Total expenses	**1,694,045**	-	**1,694,045**
Change in net assets	**87,652**	**190,689**	**278,341**
Net Assets, beginning of year	**502,776**	**394,000**	**896,776**
Net assets, end of year	**$ 590,428**	**$ 584,689**	**$ 1,175,117**

The Notes to Financial Statements are an integral part of these statements.

ONE HEARTLAND, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

YEAR ENDED MARCH 31, 2017

	Program Related Expenses	General and Administrative Expenses	Fundraising Expenses	Total
Salaries	$ 402,382	$ 24,237	$ 58,168	$ 484,787
Payroll taxes	29,826	1,797	4,312	35,935
Fringe benefits	21,318	1,284	3,082	25,684
Merchant expenses	2,560	-	-	2,560
Professional fees and consultants	64,912	4,868	11,402	81,182
Postage	1,435	292	2,718	4,445
Public relations, printing and marketing	1,905	13	11,562	13,479
Office supplies	2,554	-	-	2,554
Food and kitchen supplies	26,333	-	-	26,333
Telephone and internet	36,604	2,692	6,395	45,691
Utilities	44,747	-	-	44,747
Insurance	51,117	1,782	4,600	57,499
Rent	26,952	2,021	4,717	33,690
Equipment expense	35,745	659	1,645	38,049
Maintenance and repairs	-	-	317	317
Dues and subscription	2,203	1	1,254	3,458
Board/staff meetings and training	1,250	9	1,389	2,648
Travel	68,412	311	11,065	79,789
Camp fees and related expense	54,072	-	10	54,082
Bank fees	-	7,035	-	7,035
Fundraising events	-	-	17,011	17,011
In-kind contributions	369,727	162,929	24,000	556,656
Depreciation expense	135,179	-	-	135,179
Interest expense	49,224	-	-	49,224
Miscellaneous	100	202	-	302
Total expenses	**$ 1,428,557**	**$ 210,134**	**$ 163,646**	**$ 1,802,338**

The Notes to Financial Statements are an integral part of these statements.

ONE HEARTLAND, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

YEAR ENDED MARCH 31, 2016

	Program Related Expenses	General and Administrative Expenses	Fundraising Expenses	Total
Salaries	$ 414,171	$ 24,639	$ 54,205	$ 493,015
Payroll taxes	31,304	1,863	4,099	37,266
Fringe benefits	22,104	1,319	2,900	26,323
Merchant expenses	-	-	2,556	2,556
Professional fees and consultants	66,558	5,162	11,367	83,087
Postage	1,216	234	2,067	3,517
Public relations, printing and marketing	382	37	5,142	5,561
Office supplies	2,509	273	203	2,985
Food and kitchen supplies	36,267	-	597	36,864
Telephone and internet	34,317	2,542	5,508	42,367
Utilities	46,108	-	-	46,108
Insurance	46,475	1,673	4,269	52,417
Rent	26,124	1,935	4,193	32,252
Equipment expense	32,741	703	1,403	34,847
Maintenance and repairs	-	-	172	172
Dues and subscription	2,108	27	1,989	4,124
Board/staff meetings and training	2,015	112	2,726	4,853
Travel	80,694	478	10,426	91,598
Camp fees and related expense	50,124	311	-	50,435
Bank fees	-	2,969	140	3,109
Fundraising events	-	-	14,427	14,427
In-kind contributions	392,959	29,816	-	422,775
Depreciation expense	134,630	-	-	134,630
Interest expense	67,863	-	-	67,863
Miscellaneous	402	492	-	894
Total expenses	**$ 1,491,071**	**$ 74,585**	**$ 128,389**	**$ 1,694,045**

The Notes to Financial Statements are an integral part of these statements.

ONE HEARTLAND, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED MARCH 31,	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (171,313)	$ 278,341
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation expense	135,179	134,630
Amortization of debt issuance costs	642	-
Noncash donations of property and equipment	-	(8,000)
Loss on disposal of property and equipment	16,620	8,000
Net change in assets and liabilities:		
Receivables	370,142	(149,118)
Prepaid expenses	2,265	5,776
Unemployment reserves	642	1,521
Accounts payable	(130,371)	39,956
Accrued expenses and withholding	1,962	(5,653)
Deferred income	(3,065)	(29,093)
Net cash provided by operating activities	**222,703**	**276,360**
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(21,540)	(74,941)
Net cash used by investing activities	**(21,540)**	**(74,941)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds on line of credit	97,011	-
Debt issuance costs - refinance	(5,531)	-
Principal payments on long term debt	(296,417)	(149,077)
Net cash used by financing activities	**(204,937)**	**(149,077)**
Net increase (decrease) in cash and cash equivalents	**(3,774)**	**52,342**
Cash and cash equivalents, beginning of year	67,637	15,295
Cash and cash equivalents, end of year	**$ 63,863**	**$ 67,637**
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Interest paid	$ 49,224	$ 70,760
NON-CASH FINANCING ACTIVITIES		
Refinance of long term debt	$ 695,877	$ -
Debt issuance costs rolled into new note payable	$ 13,853	$ -

The Notes to Financial Statements are an integral part of these statements.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization:

One Heartland, Inc. (the Organization) strives to improve the lives of children, youth, and families facing significant health challenges or social isolation. The Organization is incorporated in Wisconsin and its headquarters and camp facility are located in Minnesota. The Organization's main source of revenue is donations.

Basis of presentation:

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board ASC 958. Under ASC 958, One Heartland, Inc. is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets, based upon the existence or absence of donor restrictions. As of March 31, 2017 and 2016, there were no permanently restricted net assets.

Basis of accounting:

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

Recently Issued Accounting Pronouncements:

In May 2014, FASB issued ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606), which provides guidance for accounting for revenue from contracts with customers. The new guidance outlines a single comprehensive model for companies to use in accounting for revenue from contracts with customers. For private companies, the ASU is effective for annual and interim periods beginning after December 15, 2018 with early adoption permitted. It can be adopted using either a retrospective approach or a modified retrospective approach. The Organization is currently evaluating the impact that the adoption of this guidance will have on the Organization's financial statements and anticipates the new guidance will not have a material impact on its financial statements.

In February 2016, FASB issued ASU No. 2016-02, Leases (Topic 842), which provides guidance for accounting for leases. The new guidance requires companies to recognize the assets and liabilities for the rights and obligations created by leased assets, initially measured at the present value of the lease payments. The accounting guidance for lessors is largely unchanged. For private companies, the ASU is effective for annual and interim periods beginning after December 15, 2019 with early adoption permitted. It is to be adopted using a modified retrospective approach. The Organization is currently evaluating the impact that the adoption of this guidance will have on the Organization's financial statements and anticipates the new guidance will impact its financial statements given the Organization has lease obligations, see Note 9.

NOTE 1. (CONTINUED)

In August 2016, FASB issued ASU No. 2016-14, Not-for-Profit Entities (Topic 958), which provides guidance for presentation of financial statements of not-for-profit entities. The new guidance requires not-for-profits to include a number of changes in their financial presentation including presenting two classes of net assets, enhanced disclosures on board designations, management of liquid resources for cash flows, and present expenses by their natural and functional classification. The ASU will be effective for financial statements for fiscal years beginning after December 15, 2017, and for interim financial statements for periods after that date with early adoption permitted. The amendments in this update should be applied on a retrospective basis. However, if presenting comparative financial statements, the NFP has the option to omit the following information for any periods presented before the period of adoption: analysis of expenses by both natural classification and functional classification and disclosures about liquidity and availability of resources. The Organization is currently evaluating the impact that the adoption of this guidance will have on the Organization's financial statements and anticipates the new guidance will significantly impact its financial statements.

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.

Concentrations:

The Organization maintains certain cash accounts in commercial banks. At times, such cash balances may be in excess of the Federal Deposit Insurance Corporation (FDIC) insurance limit.

Promises to give:

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. Promises to give outstanding are considered temporarily restricted due to a time restriction until the monies are received. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. There were $172,976 and $543,118 promises to give outstanding as of March 31, 2017 and 2016, respectively. As of March 31, 2017, pledges of $112,976 are due within one year and pledges of $60,000 are due between one and five years. All pledges were due in less than one year as of March 31, 2016.

NOTE 1. (CONTINUED)

Receivables:

Accounts and pledges receivable are recorded net of an allowance for expected losses. The allowance is estimated from historical performance and projection of trends. At March 31, 2017 and 2016, no allowance for bad debt was considered necessary. It is the Organization's policy to charge off uncollectible receivables when management determines that a receivable will not be collected.

Property, equipment and depreciation methods:

Purchased property and equipment are recorded at acquisition cost. Property and equipment donations are recorded at fair market value at the date of receipt. Improvements and betterments exceeding $500 are capitalized, while repairs and maintenance expenditures are expensed in the statements of activities.

Depreciation is computed using the straight-line method over the estimated useful lives as follows:

Land	Indefinite
Land improvements	10 - 30 years
Buildings and improvements	5 - 30 years
Furniture and equipment	3 - 20 years
Vehicles	5 years

Debt issuance costs:

Amortization of debt issuance costs is computed over the terms of the respective mortgages on a straight-line basis. Unamortized debt issuance costs are presented as a reduction of outstanding debt and amortization expense related to those debt issuance costs is presented as interest expense.

In-kind contributions:

Donated vehicles, equipment, facilities, and materials are recorded at the estimated market value when received. Contributed services are recorded as contributions, at their fair market value, when the service creates or enhances a non-financial asset or the service requires specialized skills that would typically need to be purchased if not provided by donation.

Functional allocation of expenses:

The costs of providing the Organization's program and supporting activities have been presented on a functional basis. Accordingly, certain costs have been allocated among the program and supporting services benefited.

NOTE 1. (CONTINUED)

Use of 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 certain reported amounts and disclosures. Actual results could differ from those estimates.

Income taxes:

One Heartland, Inc. is exempt from federal taxation pursuant to the provisions of Section 501(c) (3) of the Internal Revenue Code and is only subject to federal and state income taxes on net unrelated business income. Since the Organization had no unrelated business taxable income in 2017 and 2016, the accompanying financial statements do not include any provision for federal or state income taxes.

The Organization's filings with the Internal Revenue Service are subject to audit. Management has evaluated its tax positions and has concluded that they do not expect anything that would require either recording or disclosure in the financial statements based on the criteria set forth in *ASC 740.*

NOTE 2. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

MARCH 31,	2017	2016
Land	$ 255,417	$ 255,417
Land improvements	136,114	136,114
Camp facility	1,465,771	1,554,411
Camp retreat center	771,798	771,798
Camp improvements	939,897	937,252
Furniture and equipment	441,506	422,611
Vehicles	74,761	74,761
	4,085,264	4,152,364
Less accumulated depreciation	2,518,471	2,455,312
Net property and equipment	**$ 1,566,793**	**$ 1,697,052**

NOTE 3. LINE OF CREDIT

The Organization obtained a $100,000 line of credit available with Northview Bank during the year. The balance outstanding on this line was $97,011 as of March 31, 2017. The line is secured by the assets of the Organization. The line requires interest at 5% and is due November 30, 2018.

NOTE 4. LONG TERM DEBT

The Organization's long term debt consists of the following:

MARCH 31,	2017	2016
4.25% note payable to Northview Bank, secured by the camp facilities in Willow River, Minnesota, requires interest and principal payments of $5,235 to be made monthly through October 2031. The note was refinanced November 2016 resulting in a reduction in the interest rate from 6% to 4.5%, a reduction in principal payment from $6,198 to $5,235 and an extended maturity date to October 19, 2031. Prior to the refinance, the note was payable to Wells Fargo and serviced by Northview Bank.	$ 682,093	$ 692,491
Installment loan with U.S. Bank, secured by the assets of the Organization. It was converted from a line of credit on April 1, 2012 and was since renewed twice. It requires monthly payments of $3,829, including interest at 3.94%, through the revised maturity date of April 1, 2017. This loan was paid off during the year.	-	44,676
Note payable converted from a line of credit assigned to Greenwich Investors XLVI, LLC via loan servicer Prinsbank for the years ended March 31, 2016, and was reassigned to First Southwestern Financial Services effective May 31, 2016. The note is secured by the assets of the Organization. This loan was renewed on October 7, 2015 and was extended to November 7, 2017. The interest rate remains at 7% and requires a principal repayment of $5,000 to be made by April 7, 2016, monthly principal payments of $1,500 from August 7, 2016 to March 7, 2017, and monthly principal payments of $5,000 from April 7, 2017 to November 7, 2017. This loan was paid off during the year.	-	227,494
	682,093	964,661
Less unamortized debt issuance costs	18,738	-
Long term debt, less unamortized debt issuance costs	**663,355**	**964,661**
Less current maturities	34,504	96,998
Total long term debt, less current portion	**$ 628,851**	**$ 867,663**

Effective April 1, 2016, the Organization adopted new authoritative generally accepted accounting principles (GAAP) guidance under ASU 2015-03 for the presentation of debt issuance costs and related amortization. Under this ASU the Organization reports such costs as a direct deduction from the face amount of the debt (as shown in the table above).

NOTE 4. (CONTINUED)

The future scheduled maturities of long term debt are as follows:

YEARS ENDING MARCH 31,		
2018	$	34,504
2019		36,000
2020		37,860
2021		39,187
2022		40,886
Thereafter		493,656
Total long term debt	**$**	**682,093**

NOTE 5. TEMPORARILY RESTRICTED NET ASSETS

The nature of restrictions on temporarily restricted net assets are as follows:

MARCH 31,		2017		2016
Time restrictions	$	118,010	$	418,118
Capital projects		-		41,571
Debt reduction		-		125,000
Camps		50,000		-
Computer lab		4,966		-
Total temporarily restricted net assets	**$**	**172,976**	**$**	**584,689**

NOTE 6. IN-KIND DONATIONS

The Organization received in-kind donations as follows:

YEARS ENDED MARCH 31,		2017		2016
Angel Flights	$	247,844	$	323,767
Re-branding		150,000		-
Camp related and other program expenses		121,883		69,192
General fundraising and event expenses		99,932		31,366
General administration		12,929		29,817
Equipment		-		16,118
Total in-kind donations	**$**	**632,588**	**$**	**470,260**

NOTE 7. EMPLOYEE RETIREMENT PLAN

The Organization sponsors a SIMPLE IRA Retirement Plan for all eligible employees. Total employer contributions made for the years ended March 31, 2017 and 2016 totaled $7,534 and $7,243, respectively.

NOTE 8. UNEMPLOYMENT RESERVES

The Organization self-insures for Minnesota unemployment via the Unemployment Services Trust. The Minnesota unemployment trust balance per contract would be fully refunded to the Organization upon payment of all outstanding unemployment claims. The recorded balance of the Minnesota unemployment trust is based on the balance of the trust net of an estimate of claims payable. The recorded balance at March 31, 2017 and 2016 was $17,063 and $17,705, respectively.

NOTE 9. LEASE COMMITMENTS

The Organization has leases for its office facilities and office equipment, which are treated as operating leases.

The Organization currently leases office space located at 2101 Hennepin Avenue, Minneapolis, Minnesota. The lease was renewed effective February 1, 2016 for another twenty-four months, expiring on January 31, 2018. Minimum monthly lease payments are $2,550.

Total rent and lease payments paid, for the years ended March 31, 2017 and 2016 totaled $37,584 and $36,094, respectively.

The future minimum lease payments are as follows:

YEARS ENDING MARCH 31,		
2018	$	32,019
2019		2,940
2020		2,940
2021		2,940
Total	**$**	**40,839**

NOTE 10. SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through October 27, 2017, the date which the financial statements were available to be issued.