

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

FINANCIAL STATEMENTS

MARCH 31, 2015 AND 2014

C O N T E N T S

	Page
INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS	
Statements of financial position	3
Statements of activities	4
Statements of functional expenses	6
Statements of cash flows	8
Notes to financial statements	9



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
One Heartland, Inc.
Minneapolis, Minnesota

We have audited the accompanying financial statements of One Heartland, Inc. (a nonprofit organization), which comprise the statements of financial position as of March 31, 2015 and 2014, 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. 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 One Heartland, Inc. as of March 31, 2015 and 2014, 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.

Redpath and Company, Ltd.

REDPATH AND COMPANY, LTD.

St. Paul, Minnesota

July 9, 2015

ONE HEARTLAND, INC.

STATEMENTS OF FINANCIAL POSITION

MARCH 31,	2015	2014
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 15,295	\$ 86,732
Pledges receivable	394,000	161,166
Accounts receivable	-	7,029
Prepaid expenses	10,887	12,810
	420,182	267,737
OTHER ASSETS		
Unemployment reserves	19,226	20,001
	19,226	20,001
PROPERTY AND EQUIPMENT, net	1,756,741	1,859,725
	\$ 2,196,149	\$ 2,147,463
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current portion of long term debt	\$ 115,178	\$ 82,839
Line of credit	251,791	251,143
Accounts payable	132,272	74,423
Accrued expenses and withholdings	16,725	10,608
Deferred rental income	36,638	40,572
	552,604	459,585
LONG TERM DEBT, less current portion	746,769	842,665
	1,299,373	1,302,250
NET ASSETS		
Unrestricted	502,776	684,047
Temporarily restricted	394,000	161,166
	896,776	845,213
	\$ 2,196,149	\$ 2,147,463

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

ONE HEARTLAND, INC.

STATEMENTS OF ACTIVITIES

YEAR ENDED MARCH 31, 2015

	Unrestricted	Temporarily Restricted	Total
REVENUE AND SUPPORT			
Contributions	\$ 422,491	\$ 384,000	\$ 806,491
Contributions in-kind	237,895	-	237,895
Students/Friends for Camp Heartland	30,161	-	30,161
Special event revenue, including in-kind donations of \$47,631	235,351	-	235,351
Less direct benefit to donor expenses, including in-kind donations of \$47,631	(96,448)	-	(96,448)
Program income	122,902	-	122,902
Journey of Hope speaking fees	-	-	-
Rental income	171,845	-	171,845
Interest	-	-	-
Other revenues	10,201	-	10,201
	<u>1,134,398</u>	<u>384,000</u>	<u>1,518,398</u>
Net assets released from restrictions	<u>151,166</u>	<u>(151,166)</u>	<u>-</u>
<i>Total revenue and support</i>	<u>1,285,564</u>	<u>232,834</u>	<u>1,518,398</u>
EXPENSES			
Program related	1,240,382	-	1,240,382
General and administrative	106,692	-	106,692
Fundraising	119,761	-	119,761
<i>Total expenses</i>	<u>1,466,835</u>	<u>-</u>	<u>1,466,835</u>
<i>Change in net assets</i>	<u>(181,271)</u>	<u>232,834</u>	<u>51,563</u>
Net Assets, beginning of year	684,047	161,166	845,213
<i>Net assets, end of year</i>	<u>\$ 502,776</u>	<u>\$ 394,000</u>	<u>\$ 896,776</u>

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

ONE HEARTLAND, INC.

STATEMENTS OF ACTIVITIES

YEAR ENDED MARCH 31, 2014

	Unrestricted	Temporarily Restricted	Total
REVENUE AND SUPPORT			
Contributions	\$ 757,366	\$ 161,166	\$ 918,532
Contributions in-kind	357,141	-	357,141
Students/Friends for Camp Heartland	54,672	-	54,672
Special event revenue, including in-kind donations of \$60,680	213,389	-	213,389
Less direct benefit to donor expenses, including in-kind donations of \$60,680	(98,300)	-	(98,300)
Program income	121,809	-	121,809
Journey of Hope speaking fees	1,819	-	1,819
Rental income	108,720	-	108,720
Interest	18	-	18
Other revenues	6,859	-	6,859
	<u>1,523,493</u>	<u>161,166</u>	<u>1,684,659</u>
Net assets released from restrictions	<u>25,856</u>	<u>(25,856)</u>	<u>-</u>
<i>Total revenue and support</i>	<u>1,549,349</u>	<u>135,310</u>	<u>1,684,659</u>
EXPENSES			
Program related	1,531,537	-	1,531,537
General and administrative	107,977	-	107,977
Fundraising	118,437	-	118,437
<i>Total expenses</i>	<u>1,757,951</u>	<u>-</u>	<u>1,757,951</u>
<i>Change in net assets</i>	<u>(208,602)</u>	<u>135,310</u>	<u>(73,292)</u>
Net Assets, beginning of year	892,649	25,856	918,505
<i>Net assets, end of year</i>	<u>\$ 684,047</u>	<u>\$ 161,166</u>	<u>\$ 845,213</u>

ONE HEARTLAND, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

YEAR ENDED MARCH 31, 2015

	<u>Program Related Expenses</u>	<u>General and Administrative Expenses</u>	<u>Fundraising Expenses</u>	<u>Total</u>
Salaries	\$ 387,982	\$ 22,557	\$ 40,603	\$ 451,142
Payroll taxes	29,106	1,692	3,046	33,844
Fringe benefits	23,469	1,368	2,464	27,301
Merchant expenses	12	-	992	1,004
Professional fees and consultants	65,832	4,457	20,795	91,084
Postage	1,314	268	2,083	3,665
Public relations, printing and marketing	582	51	13,333	13,966
Office supplies	1,827	271	391	2,489
Food and kitchen supplies	34,351	1,770	33	36,154
Telephone and internet	32,644	2,431	5,272	40,347
Utilities	46,133	89	-	46,222
Insurance	44,206	2,382	4,561	51,149
Rent	26,443	1,891	4,097	32,431
Equipment expense	38,323	664	1,440	40,427
Maintenance and repairs	-	-	-	-
Dues and subscription	2,580	27	682	3,289
Board/staff meetings and training	2,077	121	1,062	3,260
Travel	84,339	517	5,763	90,619
Camp fees and related expense	55,590	-	-	55,590
Outreach and Journey of Hope	245	-	-	245
Bank fees	-	3,825	10	3,835
Fundraising events	-	-	13,097	13,097
In-kind contributions	158,645	62,286	-	220,931
Depreciation expense	123,798	-	-	123,798
Interest expense	80,884	-	-	80,884
Miscellaneous	-	25	37	62
<i>Total expenses</i>	\$ 1,240,382	\$ 106,692	\$ 119,761	\$ 1,466,835

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

ONE HEARTLAND, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

YEAR ENDED MARCH 31, 2014

	<u>Program Related Expenses</u>	<u>General and Administrative Expenses</u>	<u>Fundraising Expenses</u>	<u>Total</u>
Salaries	\$ 412,196	\$ 32,663	\$ 60,289	\$ 505,148
Payroll taxes	31,625	2,507	4,435	38,567
Fringe benefits	28,095	2,229	3,829	34,153
Professional fees and consultants	86,737	5,119	10,833	102,689
Postage	2,063	338	4,056	6,457
Public relations, printing and marketing	1,313	78	(843)	548
Office supplies	1,739	66	2,906	4,711
Food and kitchen supplies	25,592	-	-	25,592
Telephone and internet	36,807	2,163	5,606	44,576
Utilities	39,329	-	-	39,329
Insurance	47,329	1,672	4,108	53,109
Rent	34,958	2,073	4,617	41,648
Equipment expense	22,155	581	1,434	24,170
Maintenance and repairs	295	-	-	295
Dues and subscription	1,127	36	466	1,629
Board/staff meetings and training	3,348	177	525	4,050
Travel	84,672	448	5,049	90,169
Camp fees and related expense	148,952	-	-	148,952
Outreach and Journey of Hope	596	-	-	596
Bank fees	-	5,369	-	5,369
Fundraising events	444	-	9,934	10,378
In-kind contributions	311,785	45,356	-	357,141
Depreciation expense	128,878	-	-	128,878
Interest expense	81,502	7,076	1,193	89,771
Miscellaneous	-	26	-	26
<i>Total expenses</i>	\$ 1,531,537	\$ 107,977	\$ 118,437	\$ 1,757,951

ONE HEARTLAND, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED MARCH 31,	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 51,563	\$ (73,292)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation expense	123,798	128,878
Noncash donations of property and equipment	(16,964)	-
Net change in assets and liabilities:		
Receivables	(225,805)	(142,339)
Prepaid expenses	1,923	(2,420)
Unemployment reserves	775	6,217
Accounts payable	57,849	(106,301)
Accrued expenses and withholding	6,117	(14,778)
Deferred rental income	(3,934)	40,572
	<u>(4,678)</u>	<u>(163,463)</u>
<i>Net cash used by operating activities</i>		
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(3,850)	(9,711)
	<u>(3,850)</u>	<u>(9,711)</u>
<i>Net cash used by investing activities</i>		
CASH FLOWS FROM FINANCING ACTIVITIES		
Net advances (payments) on lines of credit	648	1,143
Principal payments on long term debt	(63,557)	(91,179)
	<u>(62,909)</u>	<u>(90,036)</u>
<i>Net cash used by financing activities</i>		
<i>Net decrease in cash and cash equivalents</i>		
	<u>(71,437)</u>	<u>(263,210)</u>
Cash and cash equivalents, beginning of year	86,732	349,942
	<u>\$ 15,295</u>	<u>\$ 86,732</u>
<i>Cash and cash equivalents, end of year</i>		

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

Interest paid	<u>\$ 78,645</u>	<u>\$ 96,919</u>
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The Notes to Financial Statements are an integral part of these statements.

ONE HEARTLAND, INC.

NOTES TO FINANCIAL 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, 2015 and 2014, 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.

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.

ONE HEARTLAND, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. (CONTINUED)

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 \$394,000 and \$161,166 promises to give outstanding as of March 31, 2015 and 2014, respectively. All pledges are due in less than one year.

Pledges receivable at March 31, 2015 includes \$100,000 receivable from an estate for which the Organization is named as a beneficiary. The Organization has received \$50,000 from the estate since March 31, 2015. The remaining \$50,000 is management's best estimate of the amount to be received in the future. It is at least reasonably possible that the estimate could change in the near term.

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, 2015 and 2014, 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

ONE HEARTLAND, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. (CONTINUED)

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 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.

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 2015 and 2014, 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. The information returns for the past three and one-half years are open to examination. 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*.

ONE HEARTLAND, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 2. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

MARCH 31,	2015	2014
Land	\$ 255,417	\$ 255,417
Land improvements	136,114	136,114
Camp facility	1,554,411	1,554,411
Camp retreat center	771,798	754,834
Camp improvements	907,338	905,046
Furniture and equipment	416,811	451,158
Vehicles	35,534	45,534
	<hr/>	<hr/>
	4,077,423	4,102,514
Less accumulated depreciation	2,320,682	2,242,789
	<hr/>	<hr/>
<i>Net property and equipment</i>	\$ 1,756,741	\$ 1,859,725

NOTE 3. LINE OF CREDIT

The Organization had a \$250,000 line of credit available with Associated Bank, which was assigned to Greenwich Investors XLVI, LLC via loan servicer Prinsbank and renewed effective January 7, 2014. The balance outstanding on this line was \$251,791 and \$251,143 as of March 31, 2015 and 2014, respectively. The line is secured by the assets of the Organization. This loan was renewed on December 8, 2014 and extended to November 7, 2015. The new agreement increases the interest rate from 6.75% to 7.00% and requires a principal repayment of \$25,000 to be made by April 7, 2015. On April 7, 2015, a principal repayment of \$25,000 was made.

ONE HEARTLAND, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 4. LONG TERM DEBT

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

MARCH 31,	2015	2014
6% note payable to Wells Fargo, serviced by Northview Bank, and secured by the camp facilities in Willow River, Minnesota requires interest and principal payments to be made monthly. The original tax exempt note required a final lump sum payment on November 22, 2014 and instead of making the payment the note was refinanced. The refinancing resulted in the note no longer being tax exempt and also reduced the interest rate from 7.5% to 6% until November 22, 2017 at which time, and on every third anniversary, the rate will be subject to adjustment. The new maturity date is November 22, 2029.	\$ 724,180	\$ 749,226
6% promissory note payable is payable to BMPI, Inc.; monthly principal and interest payments of \$1,854 are required, however, no payments were made during the year ended March 31, 2015; the payment schedule has been revised, maintaining the maturity date of August 1, 2016; \$18,541 has been paid since March 31, 2015; the note is secured by vacant land in Willow River, Minnesota.	49,923	49,923
Installment loan with U.S. Bank is secured by the assets of the Organization. It was converted from a line of credit on April 1, 2012 with a \$200,000 balance. The converted note had an original maturity date of April 1, 2013 and required monthly payments of \$3,628, including interest at 3.34%. It was renewed on May 1, 2013 and required monthly payments of \$3,701, including interest at 3.34%, plus a final balloon payment on the amended maturity date of April 1, 2014. It was renewed again on April 1, 2014 and requires monthly payments of \$3,829, including interest at 3.94%, through the revised maturity date of April 1, 2017.	87,844	126,355
	861,947	925,504
Less current maturities	115,178	82,839
<i>Total long term debt, less current portion</i>	\$ 746,769	\$ 842,665

ONE HEARTLAND, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 4. (CONTINUED)

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

YEARS ENDING MARCH 31,

2016	\$	115,178
2017		87,751
2018		36,305
2019		38,029
2020		40,374
Thereafter		544,310
<i>Total long term debt</i>		\$ 861,947

NOTE 5. TEMPORARILY RESTRICTED NET ASSETS

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

MARCH 31,	2015	2014
Time restrictions	\$ 294,000	\$ 161,166
Time and purpose restrictions	100,000	-
<i>Total temporarily restricted net assets</i>	\$ 394,000	\$ 161,166

NOTE 6. IN-KIND DONATIONS

The Organization received in-kind donations as follows:

YEARS ENDED MARCH 31,	2015	2014
Camp related and other program expenses	\$ 158,645	\$ 311,785
General fundraising and event expenses	47,631	60,680
General administration	62,286	45,356
Capitalized equipment	16,964	-
<i>Total in-kind donations</i>	\$ 285,526	\$ 417,821

ONE HEARTLAND, INC.

NOTES TO FINANCIAL STATEMENTS

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, 2015 and 2014 totaled \$6,532 and \$7,087, 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, 2015 and 2014 was \$19,226 and \$13,311, respectively.

The Organization was previously required to maintain certificates of deposit at a financial institution for Wisconsin unemployment. The certificates of deposit totaled \$0 and \$6,690 at March 31, 2015 and 2014, respectively. The certificates of deposit were cashed out during the year ended March 31, 2015.

NOTE 9. LEASE COMMITMENTS

The Organization has leases for its office facilities and three copiers, 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, 2013 for another thirty-six months, expiring on January 30, 2016. Minimum monthly lease payments are \$2,325.

Total rent and lease payments paid, for the years ended March 31, 2015 and 2014 totaled \$32,994 and \$31,944, respectively.

The future minimum lease payments are as follows:

YEARS ENDING MARCH 31,

2016	\$	28,794
2017		4,044
2018		1,029
Total		\$ 33,867

ONE HEARTLAND, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 10. SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through July 9, 2015, the date which the financial statements were available to be issued.