



Heroes for Children

**Financial Statements
December 31, 2018 and 2017**

Heroes for Children

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Independent Auditors' Report

Board of Directors
Heroes for Children

We have audited the accompanying financial statements of Heroes for Children (a nonprofit organization) which comprise the statements of financial position as of December 31, 2018 and 2017, 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 U.S. generally accepted accounting principles; 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 error or fraud.

Auditors' Responsibility


Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatements.

An audit includes 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 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Heroes for Children as of December 31, 2018 and 2017, and the changes in its net assets and cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

A handwritten signature in cursive script that reads "Sutton Frost Lang".

A Limited Liability Partnership

Arlington, Texas
June 5, 2019

Heroes for Children
Statements of Financial Position
December 31, 2018 and 2017

	2018	2017
Assets		
Current assets:		
Cash and cash equivalents	\$ 352,053	\$ 483,427
Accounts receivable	11,623	73,435
Pledges receivable	-	5,000
Prepaid expenses	24,744	18,929
	Total current assets	580,791
Property and equipment:		
Furniture and fixtures	12,520	12,520
Computer equipment	25,456	25,456
	Total property and equipment, gross	37,976
Accumulated depreciation	(37,976)	(37,976)
	Total property and equipment, net	-
Other assets:		
Endowment investments	244,312	255,946
Security deposit	4,090	4,090
	Total assets	\$ 840,827
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 2,325	\$ 24,036
Accrued expenses	21,189	20,828
Deferred event revenue	18,375	13,750
	Total current liabilities	58,614
Net assets:		
Without donor restrictions:		
Undesignated	328,608	461,309
Board designated endowment	244,312	255,946
	Total net assets without donor restrictions	717,255
With donor restrictions	22,013	64,958
	Total net assets	782,213
	Total liabilities and net assets	\$ 840,827

See notes to financial statements.

Heroes for Children
Statements of Activities
Years Ended December 31, 2018 and 2017

	2018	2017
Net assets without donor restrictions:		
Revenue, gains and support:		
Contributions	\$ 446,613	\$ 608,329
Special event income, net of direct benefit costs of \$259,896 and \$189,633, respectively	631,512	725,164
In-kind contributions	-	78,250
Dividend income	8,438	6,745
Net unrealized gains (losses) on investments	(18,295)	24,617
Total revenue, gains and support	1,068,268	1,443,105
Net assets released from restrictions	73,725	35,056
Total revenue, gains, support and reclassifications	1,141,993	1,478,161
Expenses:		
Program services	918,065	1,028,498
General and administrative	95,194	92,693
Fundraising	273,069	289,888
Total expenses	1,286,328	1,411,079
Change in net assets without donor restrictions	(144,335)	67,082
Net assets with donor restrictions:		
Contributions	30,780	3,000
Net assets released from restrictions	(73,725)	(35,056)
Change in net assets with donor restrictions	(42,945)	(32,056)
Change in net assets	(187,280)	35,026
Net assets at beginning of year	782,213	747,187
Net assets at end of year	\$ 594,933	\$ 782,213

See notes to financial statements.

Heroes for Children
Statement of Functional Expenses
Year Ended December 31, 2018

	Program Services	General and Administrative	Fundraising	Total
Assistance provided to families:				
Financial assistance	\$ 410,890	\$ -	\$ -	\$ 410,890
Advocacy activities	18,070	-	-	18,070
Social assistance	112,250	-	-	112,250
Total assistance to families	541,210	-	-	541,210
Personnel cost and benefits:				
Salaries and wages	250,157	68,225	136,449	454,831
Insurance benefits	15,612	4,258	8,516	28,386
Payroll taxes	21,296	5,808	11,616	38,720
Total personnel cost and benefits	287,065	78,291	156,581	521,937
Direct cost of fundraising:				
Heart of a Hero	-	-	8,069	8,069
Consulting fees - grant writer	-	-	20,480	20,480
Fundraising and marketing	-	-	13,666	13,666
Other	-	-	383	383
Total direct cost of fundraising	-	-	42,598	42,598
General operating expenses:				
Bank and credit card fees	-	2,730	24,567	27,297
Board functions and meetings	2,521	497	1,172	4,190
Continuing education	1,011	169	506	1,686
Consulting fees	2,160	480	2,160	4,800
Contract labor	1,598	533	533	2,664
Dues and subscriptions	1,487	248	744	2,479
Equipment	1,790	298	10,025	12,113
Insurance	1,894	421	1,894	4,209
Internet	4,886	814	2,443	8,143
Lease expense	35,664	2,378	9,510	47,552
Meals and entertainment	740	113	237	1,090
Miscellaneous	284	81	284	649
Office supplies	6,997	1,166	3,499	11,662
Payroll processing	712	194	388	1,294
Postage and delivery	3,223	515	1,523	5,261
Printing and reproduction	4,626	771	2,313	7,710
Professional fees	3,620	1,810	3,620	9,050
Storage	1,823	122	486	2,431
Special events	-	-	259,896	259,896
Telephone	3,860	643	1,930	6,433
Travel and transportation	10,081	2,757	4,244	17,082
Volunteer/donor appreciation	-	-	1,162	1,162
Website	813	163	650	1,626
Total general operating expenses	89,790	16,903	333,786	440,479
Total expenses	918,065	95,194	532,965	1,546,224
Less expenses included with revenues on the statement of activities				
Direct costs of special events	-	-	(259,896)	(259,896)
Total expenses included in the expense section on the statement of activities	<u>\$ 918,065</u>	<u>\$ 95,194</u>	<u>\$ 273,069</u>	<u>\$ 1,286,328</u>

See notes to financial statements.

Heroes for Children
Statement of Functional Expenses
Year Ended December 31, 2017

	Program Services	General and Administrative	Fundraising	Total
Assistance provided to families:				
Financial assistance	\$ 491,822	\$ -	\$ -	\$ 491,822
Advocacy activities	39,854	-	-	39,854
Social assistance	71,126	-	-	71,126
Total assistance to families	602,802	-	-	602,802
Personnel cost and benefits:				
Salaries and wages	239,736	65,382	130,765	435,883
Insurance benefits	13,140	3,583	7,167	23,890
Payroll taxes	22,151	6,041	12,082	40,274
Total personnel cost and benefits	275,027	75,006	150,014	500,047
Direct cost of fundraising:				
Heart of Gold 5K & Fun Run	-	-	1,087	1,087
Heroes & Handbags	-	-	10,900	10,900
Hold'Em for Heroes	-	-	4,146	4,146
Heart of a Hero	-	-	7,127	7,127
Consulting fees - grant writer	-	-	13,500	13,500
Fundraising and marketing	-	-	9,545	9,545
Other	-	-	3,760	3,760
Total direct cost of fundraising	-	-	50,065	50,065
General operating expenses:				
Bank and credit card fees	-	2,655	23,892	26,547
Board functions and meetings	4,862	1,370	2,023	8,255
Continuing education	631	105	316	1,052
Consulting fees	2,160	480	2,160	4,800
Contract labor	8,100	2,700	2,700	13,500
Dues and subscriptions	1,440	240	720	2,400
Equipment	1,496	249	748	2,493
Insurance	1,907	424	1,906	4,237
Internet	5,242	874	2,621	8,737
Lease expense	35,879	2,392	9,567	47,838
Meals and entertainment	784	85	271	1,140
Miscellaneous	292	121	292	705
Office supplies	5,971	996	2,986	9,953
Payroll processing	696	190	380	1,266
Postage and delivery	3,320	533	1,578	5,431
Printing and reproduction	4,315	719	2,158	7,192
Professional fees	58,275	1,750	26,975	87,000
Storage	1,685	112	449	2,246
Special events	-	-	189,633	189,633
Telephone	3,792	632	1,896	6,320
Travel and transportation	9,822	1,060	4,654	15,536
Volunteer/donor appreciation	-	-	1,517	1,517
Total general operating expenses	150,669	17,687	279,442	447,798
Total expenses	\$ 1,028,498	\$ 92,693	\$ 479,521	\$ 1,600,712
Less expenses included with revenues on the statement of activities				
Direct costs of special events	-	-	(189,633)	(189,633)
Total expenses included in the expense section on the statement of activities	\$ 1,028,498	\$ 92,693	\$ 289,888	\$ 1,411,079

See notes to financial statements.

Heroes for Children
Statements of Cash Flows
Years Ended December 31, 2018 and 2017

	2018	2017
Cash flows from operating activities:		
Change in net assets	\$ (187,280)	\$ 35,026
Adjustments to reconcile change in net assets to net cash provided (used) in operating activities:		
(Gains) losses on investments	18,295	(24,617)
Changes in assets and liabilities:		
Accounts receivable	61,812	(45,419)
Pledges receivable	5,000	5,000
Grants receivable	-	163,000
Inventory	-	1,067
Prepaid expenses	(5,815)	11,951
Accounts payable	(21,711)	9,709
Accrued expenses	361	(4,388)
Deferred event revenue	4,625	(21,684)
	(124,713)	129,645
Net cash provided (used) in operating activities	(124,713)	129,645
Cash flows from investing activities-		
Purchases of investments	(6,661)	(6,038)
	(131,374)	123,607
Change in cash and cash equivalents	(131,374)	123,607
Cash and cash equivalents at beginning of year	483,427	359,820
Cash and cash equivalents at end of year	\$ 352,053	\$ 483,427

See notes to financial statements.

Heroes for Children

Notes to Financial Statements

1. Organization

Heroes for Children (HFC) is a nonprofit organization advocating for and providing financial and social assistance to families within the state of Texas with children 0-22 years of age battling cancer. HFC was formerly known as Taylor's Angels. HFC was created in memory of Taylor Anne Brewton and Allison Leigh Scott. HFC's mission statement is as follows:

"Heroes for Children advocates for and provides financial and social assistance to families with children (0-22 years of age) battling cancer".

The vision of HFC is "No family with a child battling cancer will fight alone".

HFC maintains three main programs, as follows:

1. Financial assistance which provides direct assistance to families to help cover such things as rent, utilities, car payments and funerals.
2. Social assistance in the form of providing laptops to teenagers, holiday gifts to families, and assistance to families in celebrating life's milestones.
3. Advocacy activities offer community support for families struggling to raise a child with cancer.

Applications for assistance are received from social workers in hospitals/clinics who have completed a full financial assessment on the families. HFC is primarily supported by contributions and grants from individuals, corporations and other nonprofit organizations.

2. Summary of Significant Accounting Policies

The accounting policies of HFC conform to U.S. generally accepted accounting principles (GAAP). The more significant accounting policies of HFC are described below.

Basis of Accounting

HFC prepares the financial statements on the accrual basis of accounting. Accordingly, revenues are recognized when earned and expenses are recorded as incurred.

Heroes for Children

Notes to Financial Statements

Financial Statement Presentation

HFC's financial statements are presented in accordance with GAAP which requires HFC to report its financial position and activities using two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. Accordingly, net assets and changes therein are classified as follows:

Net assets without donor restrictions - Net assets not subject to donor-imposed stipulations. Net assets without donor restrictions may be designated for specific purposes by action of the board of directors.

Net assets with donor restrictions - Net assets subject to donor stipulations that will be met by actions of the Organization and/or the passage of time.

Some net assets with donor restrictions include a stipulation that assets provided be maintained permanently (perpetual in nature) while permitting HFC to expend the income generated by the assets in accordance with the provisions of additional donor imposed stipulations or a board of directors approved spending policy.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets. HFC chooses to show contributions whose restrictions are met in the same reporting period as contributions without donor restrictions.

Financial Instruments and Credit Risk Concentrations

Financial instruments, which are potentially subject to concentrations of credit risk consist principally of cash and cash equivalents, accounts receivable, pledges receivable, grants receivable and investments in marketable securities.

Cash and cash equivalents are placed with high credit quality financial institutions to minimize risk. HFC maintains cash balances at financial institutions located in Texas. Accounts at this institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2018, HFC's uninsured bank balances totaled \$93,044. HFC has not experienced any losses on such assets.

Heroes for Children

Notes to Financial Statements

Accounts and pledges receivable are unsecured. HFC continually evaluates the collectability of accounts and pledges receivable and maintains an allowance for potential losses, if considered necessary.

Investments are exposed to various risks such as interest rate, market and credit risks. It is reasonably possible that changes in values of investments will occur in the near term and that such changes could materially affect the amounts reported.

Cash and Cash Equivalents

HFC considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. From time to time, cash balances in these accounts may exceed federally insured limits.

Accounts and Pledges Receivable

Pledges are recorded at the estimated fair value when made and accounts receivable are generally recorded at the invoiced amount. The collectability of HFC's receivables is reviewed on an ongoing basis, using an assessment of the current status of individual accounts and current economic conditions.

Investments

At December 31, 2018 and 2017, HFC's investments consist of common stock and mutual funds and are stated at fair value in accordance with GAAP. Changes in fair value are recorded as unrealized gains (losses). Realized gains (losses) are recorded upon the sale of the investments. Interest income is recognized under the accrual basis and dividend income is recognized on the ex-dividend date.

Property and Equipment

Property and equipment purchased by HFC are recorded at cost or, if donated, at estimated fair market value at the date of the gift. HFC follows the practice of capitalizing all expenditures for property and equipment in excess of \$2,500; the fair value of donated fixed assets is capitalized. Depreciation is computed using the straight-line method over estimated useful lives of 3 to 10 years for property and equipment.

Deferred Event Revenue

Deferred event revenue consists primarily of ticket sales and registrations collected for events which are to be held in a future year. Revenue is recognized upon occurrence of the event.

Heroes for Children

Notes to Financial Statements

Revenue Recognition

Contributions are generally recorded only upon receipt, unless evidence of an unconditional promise to give (pledge) has been received. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of the amounts expected to be collected and reduced by an allowance for uncollectible amounts. Conditional promises to give are recognized when the conditions to which they are subject are met. If funds are received related to the conditional promise, the amounts received are accounted for as a refundable advance.

HFC recognizes contribution revenue for certain services received at the fair value of those services, provided those services create or enhance non-financial assets or require specialized skills which are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation.

Concentrations

At December 31, 2018 the balance due from four donors totaled approximately 62% of total accounts receivable. At December 31, 2017, the balance due from two donors totaled approximately 27% of total accounts receivable.

At December 31, 2017 the balance due from one pledge totaled 100% of total pledges receivable. There were no pledges receivable at December 31, 2018.

Allocation of Functional Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Occupancy and depreciation are allocated on a square footage basis that is in alignment with staff's time and effort. All other expenses are allocated on the basis of estimates of time and effort.

Federal Income Tax

HFC is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code (IRC) and has not been classified as a private foundation as defined in the IRC. Income generated from activities unrelated to HFC's exempt purpose is subject to tax under IRC Section 511. HFC had no unrelated business income for the years ended December 31, 2018 and 2017. Accordingly, no provision has been made for federal income tax in the accompanying financial statements.

Heroes for Children

Notes to Financial Statements

GAAP requires the evaluation of tax positions taken in the course of preparing HFC's tax returns and recognition of a tax liability (or asset) if HFC has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. Management has analyzed the tax positions taken by HFC, and has concluded that as of December 31, 2018 and 2017, there are no uncertain tax positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements.

Estimates and Assumptions

The preparation of financial statements in conformity with GAAP 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 revenues and expenses during the reporting period. Actual results could differ from those estimated.

New Accounting Pronouncements

Changes to GAAP are established by the Financial Accounting Standards Board (FASB) in the form of accounting standards updates (ASU's) to the FASB's Accounting Standards Codification.

HFC considers the applicability and impact of all ASU's. ASU's not listed below were assessed and determined to be either not applicable or are expected to have minimal impact on HFC's financial position and changes in net assets.

In 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)* which is a comprehensive new revenue recognition standard that will supersede existing revenue recognition guidance. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The entity should recognize revenue when (or as) the entity satisfies a performance obligation. Not-for-profit entities must consider whether certain arrangements are fully or partially subject to Topic 606. Examples include, but are not limited to memberships, sponsorships, grants and contracts. Further, judgment is required to bifurcate transactions between contribution and exchange components. The effective date of ASU 2014-09 is for annual periods beginning after December 15, 2018 for the majority of not-for-profit organizations.

Heroes for Children

Notes to Financial Statements

In 2018, the FASB issued ASU 2018-08 *Clarifying the Scope and Accounting Guidance for Contributions Received and Made* to address difficulty and diversity in practice among not-for-profit entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) Subject to Topic 958, Not-for-Profit Entities or as exchanges (reciprocal transactions) subject to Topic 606 and (2) determining between conditional and unconditional contributions. This ASU applies to all entities that receive or make contributions. The term used in the presentation of financial statements to label revenue (for example, contribution, grant, donation) that is accounted for within Topic 958 is *not a factor* for determining whether an agreement is within the scope of that guidance. The standard is effective for annual periods beginning after December 15, 2018 for the majority of not-for-profit entities. The changes in this standard should generally be applied on a retrospective basis in the year that it is first applied.

In 2016, the FASB issued its leasing standard in ASU 2016-02, *Leases (ASC Topic 842)* for both lessees and lessors. Under its core principle, a lessee will recognize right-of-use (ROU) assets and related lease liabilities on the statement of financial position for all lease arrangements with terms longer than 12 months. The pattern of expense recognition in the statement of activities will depend on a lease's classification. For not-for-profit organizations, the standard takes effect for fiscal years beginning after December 15, 2019.

HFC is currently assessing the impact that adopting this new guidance will have on the financial statements.

Accounting Pronouncements Adopted

In August 2016, the FASB issued ASU 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities*. The ASU amends the previous reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now entitled "net assets without donor restrictions" and "net assets with donor restrictions", (b) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs, (c) requiring the disclosure of quantitative and qualitative information regarding liquidity, and (d) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. The Organization has adopted this ASU as of and for the year ended December 31, 2018 with retrospective application for the 2017 financial statements. The Organization opted to not disclose liquidity and availability information for 2017 as permitted under the ASU in the year of adoption. The adoption of this ASU had no effect on net assets or the change in net assets as of or for the year ended December 31, 2018.

Heroes for Children

Notes to Financial Statements

3. Investments

Under the Fair Value Measurements and Disclosures topic of the Codification, ASC 820, disclosures are required about how fair value is determined for assets and liabilities and a hierarchy for which these assets and liabilities must be grouped is established, based on significant levels of inputs as follows:

- | | |
|---------|---|
| Level 1 | Inputs to the valuation methodology are quoted prices available in active markets for identical investments as of the reporting date; |
| Level 2 | Inputs to the valuation methodology are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value can be determined through the use of models or other valuation methodologies; |
| Level 3 | Inputs to the valuation methodology are unobservable inputs in situations where there is little or no market activity for the asset or liability and the reporting entity makes estimates or assumptions related to the pricing of the asset or liability including assumptions regarding risk. |

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The following is a description of the valuation methodologies used for instruments measured at fair value, including the general classification of such instruments pursuant to the valuation hierarchy:

Common Stock

Common stock is valued at the closing price reported on the New York Stock Exchange Composite Listing and is classified within level 1 of the valuation hierarchy.

Mutual Funds

These investments are public investment vehicles valued using the net asset value (NAV) provided by the administrator of the fund. The NAV is based on the value of the underlying assets owned by the fund, minus its liabilities, and then divided by the number of shares outstanding. The NAV is a quoted price in an active market and classified within level 1 of the valuation hierarchy.

Heroes for Children
Notes to Financial Statements

HFC's investments at fair value are as follows as of December 31:

	<u>2018</u>	<u>2017</u>
Common stock	\$ 16,205	\$ 14,865
Mutual funds:		
Index	148,781	159,778
Growth	46,719	48,886
Fixed income	<u>32,607</u>	<u>32,417</u>
	<u>\$ 244,312</u>	<u>\$ 255,946</u>

The following investments represent more than 10% of total investments at December 31:

	<u>2018</u>	<u>2017</u>
Lord Abbett Bond Debenture Class C	\$ 46,719	\$ 48,886
Lord Abbett Short Duration Income Class C	32,607	32,417
Vanguard Index FDS Vanguard Growth	46,613	48,806
Vanguard Index FDS Vanguard Value ETF	41,629	45,186

4. Endowment

As of December 31, 2018 and 2017, the board of directors had designated \$244,312 and \$255,946, respectively, of net assets without donor restrictions as a general endowment fund to support the mission of HFC. HFC has a spending policy of appropriating for distribution each year an amount deemed prudent to carry out the charitable purposes of HFC.

To achieve that objective, HFC has adopted an investment policy that attempts to maximize total return consistent with an acceptable level of risk. Endowment assets are invested in a well-diversified asset mix, which includes equity and debt securities. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk. Composition of and changes in endowment net assets are as follows for the years ended December 31:

	<u>2018</u>	<u>2017</u>
Board designated endowment net assets, beginning of year	\$ 255,946	\$ 225,291
Unrealized gains (losses)	(18,295)	24,617
Additions	<u>6,661</u>	<u>6,038</u>
Board designated endowment net assets, end of year	<u>\$ 244,312</u>	<u>\$ 255,946</u>

Heroes for Children
Notes to Financial Statements

5. Net Assets With Donor Restrictions

As of December 31, 2018 and 2017, net assets with donor restrictions were restricted for the following purposes:

	<u>2018</u>	<u>2017</u>
Laptops for Love	\$ 9,892	\$ 54,976
Holiday Heroes	6,924	-
Time restricted	-	5,000
Client assistance	<u>5,197</u>	<u>4,982</u>
Total	<u>\$ 22,013</u>	<u>\$ 64,958</u>

6. Commitments

HFC leases office space in Richardson and Houston, Texas pursuant to non-cancelable operating leases expiring in 2019 and 2018, respectively. In addition, HFC leases certain office equipment pursuant to a non-cancelable operating lease expiring in 2020. For the years ended December 31, 2018 and 2017, lease expense associated with these leases was approximately \$55,000, respectively.

Future minimum lease payments pursuant to the lease agreements are as follows for the years ending December 31:

2019	\$ 38,363
2020	3,231

7. In-Kind Contributions and Related Party Transactions

HFC received donated public relations services from a board member in 2017. For the year ended December 31, 2017, the estimated fair value of these donations totaled \$78,250 and is reflected in the accompanying statements of activities as in-kind contributions and expense. There were no in-kind contributions or related party transactions for the year ended December 31, 2018.

8. Liquidity and Availability of Resources

HFC has \$363,676 of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditures consisting of cash and cash equivalents of \$352,053 and accounts receivable of \$11,623. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditures within one year of the statement of financial position date.

Heroes for Children

Notes to Financial Statements

HFC receives significant contributions restricted by donors, and considers contributions restricted for programs which are ongoing, major and central to its annual operations to be available to meet cash needs for general expenditures within one year.

HFC strives to maintain liquid financial assets sufficient to cover near-term operating needs, and to maintain sufficient reserves to provide reasonable assurance that long-term obligations will be fulfilled. To achieve this, HFC forecasts its future cash flows and monitors its liquidity monthly and quarterly. During the year ended December 31, 2018, the level of liquidity was managed within HFC's expectations.

HFC maintains an investment account according to the investment policy adopted by the board of directors. The policy allows for a board-designated endowment investment account. In the event the need arises to utilize the board-designated endowment investment account for liquidity purposes, the reserves could be drawn upon through board resolution.

9. Subsequent Events

HFC evaluated subsequent events through the date the financial statements were available to be issued and concluded that no additional disclosures are required.