

***HEART MATH TUTORING, INC.***

***FINANCIAL STATEMENTS***  
***JUNE 30, 2019***

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# *Heart Math Tutoring, Inc.*

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# ***C. DEWITT FOARD & COMPANY, P.A.***

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**PHILLIP G. WILSON**  
**TERRY W. LANCASTER**

## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors of  
Heart Math Tutoring, Inc.  
Charlotte, North Carolina

We have audited the accompanying financial statements of Heart Math Tutoring, Inc. ("Heart" - a nonprofit corporation), which comprise the statement of financial position as of June 30, 2019, 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 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 in the first paragraph present fairly, in all material respects, the financial position of Heart Math Tutoring, Inc., as of June 30, 2019 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.

### Report on Summarized Comparative Information

We have previously audited Heart's 2018 financial statements, and our report dated October 10, 2018, expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*C. Dewitt Foard & Company, P.A.*  
October 9, 2019

***Heart Math Tutoring, Inc.***  
**Statement of Financial Position**  
**June 30, 2019, with prior year comparative totals**

	June 30,	
	2019	2018
<b><u>ASSETS</u></b>		
Current Assets:		
Cash	\$ 1,497,247	\$ 1,144,607
Pledges receivable, current (net)	162,400	90,200
Prepaid expenses	17,044	12,268
<b><i>Total Current Assets</i></b>	<b><i>1,676,691</i></b>	<b><i>1,247,075</i></b>
Long-Term Assets:		
Pledges receivable, long-term	143,588	3,000
Security deposit	1,000	1,000
Intangible assets:		
Software costs	77,045	35,910
Less - accumulated amortization	(22,906)	(501)
<b><i>Intangible assets - Net</i></b>	<b><i>54,139</i></b>	<b><i>35,409</i></b>
<b><i>Total Long-Term Assets</i></b>	<b><i>198,727</i></b>	<b><i>39,409</i></b>
<b><i>TOTAL</i></b>	<b><i>\$ 1,875,417</i></b>	<b><i>\$ 1,286,484</i></b>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
Current Liabilities:		
Accounts payable	\$ 13,453	\$ 19,065
Accrued wages	29,861	29,539
<b><i>Total Current Liabilities</i></b>	<b><i>43,314</i></b>	<b><i>48,604</i></b>
Net Assets:		
Without donor restrictions	296,125	216,811
With donor restrictions	1,535,978	1,021,069
<b><i>Total Net Assets</i></b>	<b><i>1,832,103</i></b>	<b><i>1,237,880</i></b>
<b><i>TOTAL</i></b>	<b><i>\$ 1,875,417</i></b>	<b><i>\$ 1,286,484</i></b>

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**Heart Math Tutoring, Inc.****Statement of Activities****Year ended June 30, 2019, with prior year comparative totals**

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	Year Ended June 30, 2019			Prior Year Comparative Totals
	Without Donor Restrictions	With Donor Restrictions	TOTALS	
<b><u>SUPPORT AND REVENUE</u></b>				
Contributions and grants	\$ 154,132	\$ 1,528,687	\$ 1,682,819	\$ 1,095,982
Program revenue	165,000	-	165,000	135,000
Special events (net of \$13,604 direct benefit)	2,701	-	2,701	2,058
In-kind contributions	-	-	-	907
Interest income	17,393	-	17,393	2,020
Net assets released from restriction	1,013,778	(1,013,778)	-	-
<b><i>Total Support and Revenue</i></b>	<b><i>1,353,004</i></b>	<b><i>514,909</i></b>	<b><i>1,867,913</i></b>	<b><i>1,235,967</i></b>
<b><u>EXPENSES</u></b>				
Program services	1,009,559	-	1,009,559	672,150
Management and general	147,891	-	147,891	115,387
Fundraising	116,240	-	116,240	109,157
<b><i>Total Expenses</i></b>	<b><i>1,273,690</i></b>	<b><i>-</i></b>	<b><i>1,273,690</i></b>	<b><i>896,694</i></b>
<b>CHANGE IN NET ASSETS</b>	<b>79,314</b>	<b>514,909</b>	<b>594,223</b>	<b>339,273</b>
<b>NET ASSETS, BEGINNING</b>	<b>216,811</b>	<b>1,021,069</b>	<b>1,237,880</b>	<b>898,607</b>
<b>NET ASSETS, ENDING</b>	<b>\$ 296,125</b>	<b>\$ 1,535,978</b>	<b>\$ 1,832,103</b>	<b>\$ 1,237,880</b>

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**Heart Math Tutoring, Inc.****Statement of Functional Expenses****Year ended June 30, 2019, with prior year comparative totals**

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	Year Ended June 30, 2019				Prior year Comparative Totals
	Program Services	Management and General	Fundraising	TOTALS	
<b><u>PERSONNEL</u></b>					
Salaries	\$ 715,971	\$ 53,211	\$ 88,235	\$ 857,417	\$ 669,588
Payroll taxes and benefits	99,625	18,223	12,000	129,848	91,058
<b><i>Total Personnel</i></b>	<b><i>815,596</i></b>	<b><i>71,434</i></b>	<b><i>100,235</i></b>	<b><i>987,265</i></b>	<b><i>760,646</i></b>
<b><u>OTHER EXPENSES</u></b>					
Supplies	60,050	10,668	19,685	90,403	73,372
Occupancy	31,668	8,134	3,329	43,131	25,880
Technology	42,439	7,855	6,250	56,544	15,163
Contract services	37,402	41,886	345	79,633	29,179
Insurance	-	7,914	-	7,914	3,765
Amortization	22,404	-	-	22,404	501
<b><i>Total Other Expenses</i></b>	<b><i>193,963</i></b>	<b><i>76,457</i></b>	<b><i>29,609</i></b>	<b><i>300,029</i></b>	<b><i>147,860</i></b>
Deduct - special events costs deducted from revenue	-	-	13,604	13,604	11,812
<b><i>TOTAL EXPENSES</i></b>	<b><i>\$ 1,009,559</i></b>	<b><i>\$ 147,891</i></b>	<b><i>\$ 116,240</i></b>	<b><i>\$ 1,273,690</i></b>	<b><i>\$ 896,694</i></b>

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**Heart Math Tutoring, Inc.****Statement of Cash Flows****Year ended June 30, 2019, with prior year comparative totals**

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	Year Ended June 30,	
	2019	2018
<b><u>OPERATING ACTIVITIES</u></b>		
Change in net assets	\$ 594,223	\$ 339,273
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Amortization	22,404	501
(Increase) decrease in operating assets:		
Receivables	(212,788)	137,050
Prepaid expense	(4,776)	(11,124)
Increase (decrease) in operating liabilities:		
Accounts payable	(5,612)	15,213
Accrued wages	322	8,986
	<hr/>	<hr/>
<i>Cash Flows from</i>		
<i>Operating Activities</i>	<b>393,774</b>	<b>489,899</b>
	<hr/>	<hr/>
<b><u>INVESTING ACTIVITIES</u></b>		
Purchases of intangible assets	(41,134)	(35,910)
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<i>Cash Flows from</i>		
<i>Investing Activities</i>	<b>(41,134)</b>	<b>(35,910)</b>
	<hr/>	<hr/>
<b>NET CHANGE IN CASH</b>	<b>352,640</b>	<b>453,989</b>
<b>CASH, BEGINNING</b>	<b>1,144,607</b>	<b>690,618</b>
	<hr/>	<hr/>
<b>CASH, ENDING</b>	<b>\$ 1,497,247</b>	<b>\$ 1,144,607</b>
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# ***Heart Math Tutoring, Inc.***

## **Notes to Financial Statements**

**June 30, 2019**

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### **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### *Nature of activities*

Heart Math Tutoring, Inc. (Heart), is incorporated under the laws of the state of North Carolina. Heart's mission is to ensure that all elementary students develop the strong foundation in math and enthusiasm for academics needed for long-term success, by helping schools use volunteers as tutors. Community members commit one hour per week to deliver Heart's hands-on curriculum in one-on-one tutoring sessions during the school day, while receiving on-site support.

In Charlotte, more than half of economically disadvantaged students performed below grade level on 2018/19 End of Grade tests in math. Many students already behind in elementary school lack foundational number sense and are following rules and procedures without deep understanding. Unable to comprehend grade level material in class, these students fall farther behind. Lack of math proficiency can become a barrier to a student's early self-identity as a successful student, high school graduation, post-secondary options, and success as an adult.

Researched methods show that correctly targeted, individualized attention in early years can close students' conceptual gaps. However, teachers' capacity for providing one-on-one attention to meet individual student need is limited. Heart leverages volunteer tutors to provide 50 hours per week of one-on-one, aligned instruction at each of its partner schools. Teachers nominate 50 students per school in grades 1 – 5 who are performing below grade level in math to receive one-on-one instruction for 30 minutes twice per week. Heart then assesses each student to determine his/her conceptual gaps, using research-based assessments approved by CMS Elementary Math Specialists. Based on assessment data, Heart directs volunteers to appropriate, hands-on activities that target and fill those gaps.

The activities are organized into easy to follow 30-minute lesson plans sequenced across six concept level notebooks. Heart's Program Coordinator administers short mini-assessments during tutoring sessions throughout the year to constantly reevaluate student instructional need and confirm student readiness for new curriculum levels. The result of frequent formative assessments and structured curriculum tools for volunteers is that 98% of students tutored to date have met program growth goals on the post-assessment in May. In addition, tutors act as mentors, providing much needed encouragement that can have a long-term positive impact. More than 92% of teachers said that students' confidence and/or enthusiasm towards math increased as a result of the program in 2018/19.

During the 2018/19 school year (for year ended 6/30/19), more than 1,030 weekly volunteers worked as tutors for approximately 995 students who were performing below grade level in math across twenty two high-poverty elementary schools in Charlotte-Mecklenburg Schools (CMS).



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# ***Heart Math Tutoring, Inc.***

## **Notes to Financial Statements**

**June 30, 2019**

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### **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

#### *Sources of revenue*

Heart receives contributions and grants primarily from individual donors, foundations, and businesses.

#### *Basis of presentation*

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 and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

*Net assets without donor restrictions* – Net assets without donor restrictions can be both undesignated and designated in nature. Undesignated net assets without donor restrictions are those currently available for use in the day-to-day operation of Heart and those resources invested in fixed assets. From time to time, the Board of Directors may designate certain amounts to be utilized or invested to meet specific objectives of Heart. Such amounts, if any, are reflected as designated net assets without donor restrictions in the accompanying statement of financial position.

*Net assets with donor restrictions* – Net assets with donor restrictions consist of temporarily restricted net assets and permanently restricted net assets. Temporarily restricted net assets are subject to donor-imposed stipulations that may or will be met, either by actions of Heart or the passage of time. When a restriction expires, that is when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Permanently restricted net assets are subject to donor imposed stipulations that they be maintained permanently by Heart. At June 30, 2019, Heart did not have any permanently restricted net assets.

#### *Contributions*

Heart reports gifts of cash and other assets as temporarily restricted revenue if they are received with donor stipulations that limit the use of the donated assets. However, restricted contributions whose restrictions are accomplished in the same accounting period are recorded as unrestricted. Unconditional promises to give are recorded as support in the period received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

#### *Intangible assets*

Software cost exceeding \$2,500 of value is recorded at cost if purchased or fair value if donated. Amortization expense is recorded using the straight-line method of amortization over the estimated useful life of the asset, which is 3 years.

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# ***Heart Math Tutoring, Inc.***

## **Notes to Financial Statements**

**June 30, 2019**

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### **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

#### *Federal income tax status*

Heart is exempt from Federal income tax under Section 501(c) (3) of the Internal Revenue Code and is not a private foundation as defined by Section 509(a) of the Internal Revenue Code.

#### *Donated services and goods*

Donated services and goods are reported as contributions when the services (a) create or enhance nonfinancial assets or (b) would be purchased if they had not been provided by contribution, require specialized skills, and are provided by individuals possessing those skills. During the year, Heart recorded no contributed services or donated goods.

In addition, many individuals, including members of the Board of Directors, volunteer their time and perform a variety of tasks that assist Heart with program services, management, and fundraising efforts. The value of this contributed time is not reflected in these financial statements since it does not meet the above recognition criteria.

#### *Use of estimates*

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of support, revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### *Prior-year comparative totals*

The financial statements include certain prior-year summarized information, which is presented for comparative purposes only. Accordingly, such information should be read in conjunction with Heart's 2018 financial statements, from which the summarized information was derived. Certain prior year amounts have been reclassified to conform to the current year presentation.

### **NOTE 2 – PLEDGES RECEIVABLE**

Unconditional promises to give are presented net of the allowance for doubtful accounts as calculated by management. Management's assessment of the collectability of receivables is based on a review of individual accounts, historical experience, and current economic conditions. Management has determined that no allowance is needed for promises to give. The \$7,813 discount for present value is computed using an interest rate of 1.76 percent based on the weighted average of the U.S. Treasury rates at June 30, 2019. At June 30, 2019 there was one pledge totaling \$200,000 which represented 64% of the gross pledges receivable, which represents a substantial concentration risk. Heart's pledges are expected to be collected during the year ending June 30:

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# ***Heart Math Tutoring, Inc.***

## **Notes to Financial Statements**

**June 30, 2019**

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### **NOTE 2 – PLEDGES RECEIVABLE, continued**

2020	\$	163,800
2021		50,000
2022		50,000
2023		50,000
Total Pledges Receivable		<u>313,800</u>
Deduct:		
Discount for present value		<u>7,812</u>
NET PLEDGES RECEIVABLE	\$	<u><u>305,988</u></u>

### **NOTE 3 – NET ASSETS WITH DONOR RESTRICTIONS**

#### Temporarily restricted

Temporarily restricted net assets as of June 30, 2019 are comprised of cash and receivables and consist of the following:

Purpose restricted:		
Geography Strategy Grant	\$	7,871
Team Culture Grant		10,795
Other		1,223
Total Purpose Restricted		<u>19,889</u>
Time restricted:		
2019/20 School Year		1,248,902
2020/21 School Year		123,600
2021/22 School Year		48,718
2022/23 School Year		47,862
2023/24 School Year		47,007
Total Time Restricted		<u>1,516,089</u>
TOTAL TEMPORARILY RESTRICTED	\$	<u><u>1,535,978</u></u>

Net assets were released from restrictions by expiration of time restrictions (\$1,003,129) and satisfaction of restricted purpose (\$10,649).

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# ***Heart Math Tutoring, Inc.***

## **Notes to Financial Statements**

**June 30, 2019**

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### **NOTE 4 – LEASE COMMITMENTS**

Heart leases office space and printer equipment under non-cancelable lease agreements. Minimum future rental payments under this lease are \$42,200 for 2020, \$43,054 for 2021, and \$3,643 for 2022. The actual lease expense for 2019 was \$39,115.

### **NOTE 5 – RETIREMENT PLAN**

Heart implemented a 401(k) retirement plan in 2018. Employees who have been employed one year and are full time are eligible for a match up to 3 percent. The total amount contributed for the year ended June 30, 2019 was \$ 9,262.

### **NOTE 6 – CONCENTRATIONS OF CREDIT RISK**

#### *Geographic location and funding*

Heart operates in a small geographic area and receives support and revenue from a limited number of sources and is, therefore, sensitive to changes in the local economy.

#### *Cash*

Heart regularly maintains cash balances at financial institutions in excess of FDIC insured limits. At June 30, 2019, the uninsured balance of cash was \$1,261,593. However, management believes that the risk related to the accounts is minimal because of the strong credit rating of the financial institutions.

### **NOTE 7 – FUNCTIONAL ALLOCATION OF EXPENSES**

The financial statements of Heart Math Tutoring report certain categories of expenses that are attributable to more than one function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy, which is allocated on a square footage basis, and salaries and benefits, which is allocated on the basis of time.

### **NOTE 8 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS**

As of June 30, 2019, Heart has \$1,659,646 of financial assets available within one year of the balance sheet date to meet cash needs for general expenditures consisting of cash \$1,497,247 and current pledges receivable \$162,400. \$1,248,902 of the financial assets consists of time restricted assets for the general operating expenses of the upcoming 2019/20 School Year. The contributions receivable are subject to implied time restrictions but are expected to be collected within one year. Contributions made during the current fiscal year will support programs in the upcoming fiscal year. Heart sets a goal of having financial assets on hand by June 30 to meet the normal operating expenses for the upcoming school year, which, on average, is approximately \$65,000 per school. Heart has committed to partner with 23 schools for the 2019/20 School Year.

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# ***Heart Math Tutoring, Inc.***

## **Notes to Financial Statements**

**June 30, 2019**

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### **NOTE 9 – SUBSEQUENT EVENTS**

Heart has evaluated subsequent events from the date of the statement of financial position through the date of the audit report, which is the date the financial statements were available to be issued. During this period, no material recognizable subsequent events were identified.