

HELPING HAND HOUSE

**INDEPENDENT ACCOUNTANT'S REVIEW REPORT
AND
FINANCIAL STATEMENTS**

DECEMBER 31, 2019 AND 2018

BRANTLEY JANSON
Certified Public Accountants
A Professional Service Corporation
1617 South 325th Street
Federal Way, Washington 98003-6009



INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors
Helping Hand House
Puyallup, WA 98373

We have reviewed the accompanying financial statements of Helping Hand House, which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our reviews, except for the issue noted in the Known Departure From Accounting Principles Generally Accepted in the United States of America paragraph, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Known Departure From Accounting Principles Generally Accepted in the United States of America

As more fully described in Note 2 to the financial statements, the Organization has not recorded pledges receivable in their financial statements. The Organization has determined that they would prefer to record the amounts as received. This accounting method causes both assets and net assets to be understated, with effects on the statement of activities that may be higher or lower than the accrual basis of accounting for pledges receivable. In our opinion, pledges receivable should be recorded, along with an allowance for uncollectible amounts, and discounted to present value if the pledge will be collected over multiple years. Management has not determined effects on the financial statements of the departure.

February 11, 2020

HELPING HAND HOUSE

**STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2019 AND 2018**

(See Independent Accountant's Review Report)

ASSETS

	<u>2019</u>	<u>2018</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 127,857	\$ 204,350
Investments	240	237
Accounts receivable		
Grants	71,396	38,583
Other	4,155	363
Prepays	<u>39,718</u>	<u>8,318</u>
Total current assets	243,366	251,851
LAND, BUILDINGS AND EQUIPMENT, net of accumulated depreciation	<u>1,140,870</u>	<u>1,159,231</u>
TOTAL ASSETS	<u>\$ 1,384,236</u>	<u>\$ 1,411,082</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable	\$ 2,621	\$ 6,520
Accrued expenses	4,815	3,716
Tenant security deposits	274	339
Current portion of long-term debt	<u>-</u>	<u>4,807</u>
Total current liabilities	7,710	15,382
LONG-TERM DEBT	<u>334,321</u>	<u>184,822</u>
TOTAL LIABILITIES	342,031	200,204
NET ASSETS		
Without donor restrictions	1,037,122	1,200,502
With donor restrictions	<u>5,083</u>	<u>10,376</u>
TOTAL LIABILITIES AND NET ASSETS	<u>1,042,205</u>	<u>1,210,878</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,384,236</u>	<u>\$ 1,411,082</u>

The accompanying notes are an integral part of these financial statements.

HELPING HAND HOUSE

**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2019**

(See Independent Accountant's Review Report)

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
SUPPORT AND REVENUE			
Public support			
Grants	\$ 741,752	\$ -	\$ 741,752
Donations	106,070	-	106,070
Fundraising	53,251	-	53,251
In-kind contributions	236,881	-	236,881
Released from restrictions	<u>5,293</u>	<u>(5,293)</u>	<u>-</u>
Total public support	1,143,247	(5,293)	1,137,954
Revenue			
Program fees	126,197	-	126,197
Other	<u>975</u>	<u>-</u>	<u>975</u>
Total revenue	127,172	-	127,172
Total support and revenue	<u>1,270,419</u>	<u>(5,293)</u>	<u>1,265,126</u>
EXPENSES			
Program services	1,182,511	-	1,182,511
Supporting activities			
Management and general	211,094	-	211,094
Development and fundraising	<u>40,194</u>	<u>-</u>	<u>40,194</u>
Total expenses	<u>1,433,799</u>	<u>-</u>	<u>1,433,799</u>
CHANGE IN NET ASSETS	(163,380)	(5,293)	(168,673)
NET ASSETS, beginning of year	<u>1,200,502</u>	<u>10,376</u>	<u>1,210,878</u>
NET ASSETS, end of year	<u>\$ 1,037,122</u>	<u>\$ 5,083</u>	<u>\$ 1,042,205</u>

The accompanying notes are an integral part of these financial statements.

HELPING HAND HOUSE

**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2018**

(See Independent Accountant's Review Report)

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
SUPPORT AND REVENUE			
Public support			
Grants	\$ 595,002	\$ -	\$ 595,002
Donations	116,410	-	116,410
Fundraising	38,629	-	38,629
In-kind contributions	196,173	-	196,173
Released from restrictions	<u>4,170</u>	<u>(4,170)</u>	<u>-</u>
Total public support	950,384	(4,170)	946,214
Revenue			
Program fees	137,997	-	137,997
Other	<u>47,613</u>	<u>-</u>	<u>47,613</u>
Total revenue	185,610	-	185,610
Total support and revenue	<u>1,135,994</u>	<u>(4,170)</u>	<u>1,131,824</u>
EXPENSES			
Program services	900,620	-	900,620
Supporting activities			
Management and general	177,808	-	177,808
Development and fundraising	<u>38,335</u>	<u>-</u>	<u>38,335</u>
Total expenses	<u>1,116,763</u>	<u>-</u>	<u>1,116,763</u>
CHANGE IN NET ASSETS	19,231	(4,170)	15,061
NET ASSETS, beginning of year	<u>1,181,271</u>	<u>14,546</u>	<u>1,195,817</u>
NET ASSETS, end of year	<u>\$ 1,200,502</u>	<u>\$ 10,376</u>	<u>\$ 1,210,878</u>

The accompanying notes are an integral part of these financial statements.

HELPING HAND HOUSE

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019
(See Independent Accountant's Review Report)**

	Program Services					Supporting Activities				Total
	Open Hearth Ministries	Emergency Housing	Rapid Re-Housing	Permanent Housing	Affordable Housing	Total Program Services	Management and General	Development & Fundraising	Total Supporting Activities	
Salaries	\$ 35,909	\$ 56,682	\$ 85,267	\$ 33,739	\$ 3,456	\$ 215,053	\$ 88,935	\$ 14,269	\$ 103,204	\$ 318,257
Payroll taxes and employee benefits	7,036	12,054	19,439	12,144	825	51,498	36,876	2,707	39,583	91,081
Total salaries and related expenses	42,945	68,736	104,706	45,883	4,281	266,551	125,811	16,976	142,787	409,338
Board	-	-	-	-	-	-	351	416	767	767
Client support	2,081	967	12,802	4,787	-	20,637	732	-	732	21,369
Clothing	-	-	-	-	-	-	-	-	-	-
Dues and memberships	442	740	510	179	59	1,930	1,882	3,567	5,449	7,379
Education/employment - program	-	-	2,753	-	-	2,753	-	-	-	2,753
Fundraising	-	-	-	-	-	-	-	15,056	15,056	15,056
In-kind	-	224,881	-	-	-	224,881	-	-	-	224,881
Insurance	1,446	3,873	1,446	7,040	3,925	17,730	4,013	-	4,013	21,743
Interest and fees	235	373	596	229	23	1,456	15,442	66	15,508	16,964
Maintenance and repairs	-	24,018	-	22,061	6,217	52,296	4,595	-	4,595	56,891
Marketing	-	-	-	-	-	-	320	800	1,120	1,120
Miscellaneous	-	-	-	-	-	-	-	-	-	-
Moving	-	-	6,261	500	-	6,761	-	-	-	6,761
Office	2,875	4,280	4,342	1,540	381	13,418	15,556	609	16,165	29,583
Professional development	-	-	-	-	-	-	209	698	907	907
Professional services	-	-	-	-	-	-	12,670	-	12,670	12,670
Rent - program	550	45	392,481	-	-	393,076	-	-	-	393,076
Technology	432	540	811	162	54	1,999	7,440	-	7,440	9,439
Telephone	2,227	1,970	1,765	840	169	6,971	4,533	356	4,889	11,860
Temporary lodging	49,403	299	-	150	748	50,600	-	-	-	50,600
Transportation	505	563	12,279	1,791	-	15,138	-	-	-	15,138
Travel	357	837	1,277	2,160	19	4,650	3,055	1,650	4,705	9,355
Utilities	-	20,570	-	29,600	-	50,170	2,603	-	2,603	52,773
Utilities assistance	-	-	9,123	-	250	9,373	-	-	-	9,373
Total expenses before depreciation	103,498	352,692	551,152	116,922	16,126	1,140,390	199,212	40,194	239,406	1,379,796
Depreciation	-	5,017	-	27,569	9,535	42,121	11,882	-	11,882	54,003
Total expenses	\$ 103,498	\$ 357,709	\$ 551,152	\$ 144,491	\$ 25,661	\$ 1,182,511	\$ 211,094	\$ 40,194	\$ 251,288	\$ 1,433,799

The accompanying notes are an integral part of these financial statements.

HELPING HAND HOUSE

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018
(See Independent Accountant's Review Report)**

	Program Services					Supporting Activities				
	Open Hearth Ministries	Emergency Housing	Rapid Re-Housing	Permanent Housing	Affordable Housing	Total Program Services	Management and General	Development & Fundraising	Total Supporting Activities	Total
Salaries	\$ 34,859	\$ 66,221	\$ 74,116	\$ 25,722	\$ 4,027	\$ 204,945	\$ 74,467	\$ -	\$ 74,467	\$ 279,412
Payroll taxes and employee benefits	7,487	12,953	17,863	5,250	844	44,397	21,065	-	21,065	65,462
Total salaries and related expenses	42,346	79,174	91,979	30,972	4,871	249,342	95,532	-	95,532	344,874
Board	-	-	-	-	-	-	22	1,255	1,277	1,277
Client support	900	1,329	12,803	805	-	15,837	2,083	-	2,083	17,920
Clothing	-	313	-	-	-	313	-	-	-	313
Dues and memberships	275	344	275	103	34	1,031	2,599	3,193	5,792	6,823
Fundraising	-	-	-	-	-	-	-	25,759	25,759	25,759
In-kind	-	183,676	-	-	-	183,676	-	-	-	183,676
Insurance	924	3,794	1,269	7,416	4,009	17,412	3,604	-	3,604	21,016
Interest and fees	241	471	523	186	28	1,449	10,447	-	10,447	11,896
Maintenance and repairs	1,214	23,293	152	13,778	2,415	40,852	8,567	-	8,567	49,419
Marketing	-	-	-	80	-	80	-	4,772	4,772	4,852
Miscellaneous	-	-	-	-	-	-	1,095	3	1,098	1,098
Office	1,120	1,508	902	274	91	3,895	6,260	538	6,798	10,693
Professional development	-	-	-	-	-	-	2,962	336	3,298	3,298
Professional services	-	-	-	-	-	-	12,605	-	12,605	12,605
Rent - program	-	-	237,244	897	-	238,141	-	-	-	238,141
Technology	1,654	2,809	1,364	560	171	6,558	8,992	603	9,595	16,153
Telephone	1,881	1,507	1,206	452	151	5,197	3,505	-	3,505	8,702
Temporary lodging	34,077	-	-	-	-	34,077	-	-	-	34,077
Transportation	239	412	439	127	42	1,259	983	-	983	2,242
Travel	25	1,579	722	1,726	3	4,055	4,068	1,876	5,944	9,999
Utilities	-	23,607	1,062	29,792	134	54,595	2,687	-	2,687	57,282
Utilities assistance	-	-	2,112	-	-	2,112	-	-	-	2,112
Total expenses before depreciation	84,896	323,816	352,052	87,168	11,949	859,881	166,011	38,335	204,346	1,064,227
Depreciation	-	4,982	-	26,517	9,240	40,739	11,797	-	11,797	52,536
Total expenses	\$ 84,896	\$ 328,798	\$ 352,052	\$ 113,685	\$ 21,189	\$ 900,620	\$ 177,808	\$ 38,335	\$ 216,143	\$ 1,116,763

The accompanying notes are an integral part of these financial statements.

HELPING HAND HOUSE

**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**
(See Independent Accountant's Review Report)

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (168,673)	\$ 15,061
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	54,003	52,536
Unrealized (gain) loss on investments	(3)	33
Changes in assets and liabilities:		
Accounts receivable		
Grants	(32,813)	(17,415)
Other	(3,792)	-
Prepays	(31,400)	(613)
Accounts payable	(3,899)	3,202
Accrued expenses	1,099	(321)
Security deposits	(65)	339
Net cash provided (used) by operating activities	<u>(185,543)</u>	<u>52,822</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(35,642)	(24,451)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of long-term debt	<u>144,692</u>	<u>(3,704)</u>
NET CHANGE IN CASH	(76,493)	24,667
CASH AND CASH EQUIVALENTS, beginning of year	<u>204,350</u>	<u>179,683</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 127,857</u>	<u>\$ 204,350</u>
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid for interest	<u>\$ 9,239</u>	<u>\$ 8,180</u>
Refinancing of long-term debt	<u>\$ 136,334</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

HELPING HAND HOUSE

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

(See Independent Accountant's Review Report)

NOTE 1 - NATURE OF ORGANIZATION

Helping Hand House (HHH, the Organization) is a non-profit organization dedicated to preventing and ending family homelessness in Pierce County. Housing and other services are provided to families who have at least one child aged 18 or under, who live at or below 30% of the Area Median Income, and who are either literally homeless (HUD Level 1) or fleeing domestic violence (HUD Level 4) but not being actively pursued. The Organization provides services in Pierce County of Washington State. The Organization's ability to solicit public support is dependent upon the region's economy.

Helping Hand House has the following major programs:

Open Hearth Ministries

HHH's Open Hearth Ministries provides immediate respite care for homeless families in East Pierce County. During a brief motel stay, families receive light case management, resource referrals and encouragement as they work toward their next stable housing solution.

Emergency Shelter Program

HHH's Emergency Shelter Program is designed to provide immediate housing for homeless families in which the family is provided furnished housing and intensive case management for 14-45 days. During their stay, the family does not pay rent or utilities. Housing is provided in agency-owned or donated homes. During the client's stay, HHH provides assistance in securing permanent housing through other HHH Programs or are referred to another provider of permanent housing.

Rapid Re-housing Program – Bright Futures

HHH's Rapid Re-housing Program provides financial assistance to homeless families that are deemed to have the capacity to recover rapidly from an episode of homelessness with minimal assistance. To meet the stated goal of helping client families sign a lease in their own name, HHH assists families in finding suitable housing and providing financial resources for application fees, move-in costs, and rental and utilities assistance for up to one year.

Permanent Supportive Housing Program – Rural Bright Futures

HHH's Permanent Supportive Housing Program utilizes eight agency-owned homes to house homeless families in which a head of household has a documented permanent disability. Housing is provided for an indefinite period of time, which helps in assisting the most in need of the population. Families pay 30% of their adjusted monthly income towards rent and receive intensive case management focused on financial literacy, employment, education, and life skills.

HELPING HAND HOUSE

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

(See Independent Accountant's Review Report)

NOTE 1 - NATURE OF ORGANIZATION (Continued)

Affordable Housing Program

In HHH's Affordable Housing Program, eligible families, whether currently homeless or living in unstable conditions not conducive to the child's well-being, move into a HHH-owned housing unit under a one-year, below-market rent lease during which they also pay for utilities. Children in all families must have at least a 90% school attendance rate to stay in the program. The goal is that adults in the family will succeed in overcoming their barriers to family self-sufficiency, and the entire family will learn that the children's education needs to become an important part of their lives.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles (GAAP). Net assets and revenues, expenses, gains, and losses are classified based on the existence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Net assets without donor restrictions - Net assets that are not subject to donor-imposed stipulations.

Net assets with donor restrictions - Net assets subject to donor-imposed stipulations that may be met, either by actions of the Organization and/or the passage of time. See Note 8.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Fair Value of Financial Instruments

The Organization's financial instruments are cash and cash equivalents, investments, contributions and grants receivable, accounts payable and long-term debt. The recorded values of cash and cash equivalents, accounts receivable, and accounts payable approximate their fair values based on their short-term nature. The recorded values of long-term debt approximate their fair values, as interest approximates market rates. The Organization's investments in certificates of deposit and marketable equity securities are recorded at fair value. Investments recorded in the financial statements are categorized based on the inputs to valuation techniques as follows:

HELPING HAND HOUSE

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

(See Independent Accountant's Review Report)

NOTE 2 - **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Fair Value of Financial Instruments (Continued)

Level 1 – These are assets where values are based on unadjusted quoted prices for identical assets in an active market that the Organization has the ability to access. The Organization currently has no level 1 assets.

Level 2 – These are assets where values are based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the assets.

Level 3 – These are assets where values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect assumptions of management about assumptions market participants would use in pricing the assets. The Organization currently has no level 3 assets.

Cash and Cash Equivalents

For the purposes of the statement of cash flows, the Organization considers all cash and other highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Pledge Contributions Receivable

The Organization recognizes pledge contributions when they are collected. GAAP requires organizations to recognize revenues when the pledges are made and set up an allowance for uncollectible receivables. Management has not determined the effect of the difference between GAAP and the method used by the Organization.

Land, Buildings and Equipment

Land, buildings and equipment are recorded at cost or at estimated fair value at the date of the gift. Land, buildings and equipment acquired by the Organization are considered to be owned by the Organization. However, federal or state funding sources may maintain equitable interest in the property purchased with grant monies as well as the right to determine the use of any proceeds from the sale of these assets. The federal or state government has a reversionary interest in those assets purchased with its funds and may reclaim the assets at the end of the specific program for which they are acquired or until their interest is released. The federal or state government has reversionary interest in substantially all of the Organization's real property. The Organization does not intend to change the use of the properties acquired by the federal and state government funds.

HELPING HAND HOUSE

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

(See Independent Accountant's Review Report)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Land, Buildings and Equipment (Continued)

Depreciation of buildings and equipment is computed using the straight line method over the estimated useful lives of the assets, which are:

Buildings and permanent additions	40 years
Major remodeling and improvements	25 years
Furniture	7 years
Vehicles and equipment	5 years
Computer equipment	3 years

In-Kind Contributions

The Organization records as support and revenue, along with a like amount under program services expense, the estimated value of goods and volunteer services received. The volunteer services are recognized if the services received (a) create or enhance non-financial assets, or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation.

For the years ended December 31, 2019 and 2018, the Organization received in-kind rent with an estimated value of \$113,000 and \$107,000, and received other goods and professional services with an estimated value of \$112,000 and \$83,000.

The Organization also receives significant amounts of donated volunteer services. During 2019 and 2018, HHH received 1,451 and 474 donated volunteer service hours. These donated volunteer services were not recorded as support or expense because they do not meet the criteria for recognition.

Contributions

Contributions from individuals are recorded as received. Contributions are available for unrestricted use unless specifically restricted by the donor. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the year in which the contributions are received.

Functional Allocation of Expenses

The cost of providing various programs and other activities has been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

HELPING HAND HOUSE

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

(See Independent Accountant's Review Report)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Tax

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and is classified as an "other than private foundation." However, the income from certain activities not directly related to the Organization's tax-exempt purpose can be subjected to taxation as unrelated business income. Currently, all activities are directly related to the Organization's exempt purpose.

For the years ended December 31, 2019 and 2018, the Organization has no material uncertain tax positions to be accounted for in the financial statements. Typically, the U.S. federal tax returns are open to examination for a period of three years after the filing date.

Maintenance Activities

It is the policy of the Organization to use the direct expense method for planned major maintenance activities.

Concentrations of Credit Risk

The Organization maintains certain cash balances in two financial institutions. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The Organization occasionally has bank deposits in excess of FDIC limitations. Management considers this to be a normal business risk.

Subsequent Events

Management has evaluated subsequent events through February 11, 2020, the date the financial statements were available to be issued.

Adoption of Accounting Principle

In May 2014, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The ASU and all subsequently issued clarifying ASUs replaced most existing revenue recognition guidance in US GAAP. The ASU also required expanded disclosures relating to the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. The Organization adopted the new standard effective January 1, 2019, the first day of the Organization's fiscal year. The adoption of this ASU did not have a significant impact on the Organization's financial statements. The majority of the Organization's revenue arrangements generally consist of a single performance obligation to transfer promised goods or services. Based on the Organization's evaluation process, the timing and amount of revenue recognized previously is consistent with how revenue is recognized under the new standard. No changes were required to previously reported revenues as a result of the adoption.

HELPING HAND HOUSE

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

(See Independent Accountant's Review Report)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pending Accounting Pronouncements

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842). The new standard is effective for reporting periods beginning after December 15, 2020 and early adoption is permitted. The standard will require lessees to report most leases as assets and liabilities on the balance sheet, while lessor accounting will remain substantially unchanged. The standard requires a modified retrospective transition approach for existing leases, whereby the new rules will be applied to the earliest year presented. Management is currently evaluating the impact this update will have on the Organization's financial statements.

Reclassifications

Certain reclassifications have been made to the 2018 financial statements in order to conform to the 2019 presentation. The reclassifications have no impact on the previously reported change in net assets.

NOTE 3 - LIQUIDITY AND AVAILABILITY OF RESOURCES

Helping Hand House has a policy to manage its liquidity and reserves following two guiding principles: maintaining adequate liquidity to fund near-term operations, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged.

The following table reflects the Organization's financial assets (cash and cash equivalents, investments and receivables) as of December 31, 2019, reduced by amounts not available for general expenditures within one year.

Financial assets	
Cash	\$ 127,857
Investments	240
Accounts receivable	<u>75,551</u>
	203,648
Less those unavailable for general expenditure within one year due to:	
Purpose restrictions	5,083
Tenant security deposits	<u>274</u>
	<u>5,357</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 198,291</u></u>

HELPING HAND HOUSE

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

(See Independent Accountant's Review Report)

NOTE 4 - INVESTMENTS

Gains and losses on dispositions are accounted for on a specific identification basis. Net realized and unrealized gains and losses are included in the statements of activities. Investment income for the years ended December 31, 2019 and 2018 was \$423 and \$599.

All investments are in equity securities and are valued using level 2 measurements.

NOTE 5 - LAND, BUILDINGS AND EQUIPMENT

The Organization had the following land, buildings and equipment at December 31:

	<u>2019</u>	<u>2018</u>
Land, buildings and equipment used for emergency shelter	\$ 1,743,464	\$ 1,717,909
Office building	338,822	338,822
Office equipment	12,465	12,465
Vehicles	23,959	23,959
Leasehold improvements	<u>10,087</u>	<u>-</u>
	2,128,797	2,093,155
Less accumulated depreciation	<u>(987,927)</u>	<u>(933,924)</u>
	<u>\$ 1,140,870</u>	<u>\$ 1,159,231</u>

NOTE 6 - LONG-TERM DEBT

The Organization had the following long-term debt obligations at December 31:

	<u>2019</u>	<u>2018</u>
Mortgage payable to Red Canoe Credit Union, \$977 per month, including interest at 4.99%, balloon payment due in June 2022, secured by deed of trust on land and building, paid off December 2019	\$ -	\$ 141,060

HELPING HAND HOUSE

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

(See Independent Accountant's Review Report)

NOTE 6 - LONG-TERM DEBT (Continued)

	<u>2019</u>	<u>2018</u>
Long term line of credit with Red Canoe Credit Union, credit limit of \$461,250, maturing December 2024, interest-only payments beginning February 2020, entire outstanding balance due at term	\$ 289,816	\$ -
Note payable to Pierce County Community Development Corporation for additional construction costs for the purchase and renovation of emergency housing, no payments, due in February 2051	<u>51,776</u>	<u>51,776</u>
	341,592	192,836
Less current portion	-	(4,807)
Less loan origination fees, net	<u>(7,271)</u>	<u>(3,207)</u>
	<u>\$ 334,321</u>	<u>\$ 184,822</u>

NOTE 7 - RESTRICTIONS ON NET ASSETS

Net assets with donor restrictions at December 31, 2019 and 2018 included the following:

	<u>2019</u>	<u>2018</u>
Program-restricted grants	<u>\$ 5,083</u>	<u>\$ 10,376</u>