

HELPING HAND HOUSE

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

DECEMBER 31, 2017 AND 2016

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1617 South 325th Street
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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors
Helping Hand House
4321 2nd St SW
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, 2017 and 2016, 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.

June 27, 2018

HELPING HAND HOUSE

**STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2017 AND 2016**

ASSETS

	<u>2017</u>	<u>2016</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 179,683	\$ 111,553
Investments	270	28,331
Grants receivable	21,531	19,140
Prepays	<u>7,705</u>	<u>7,846</u>
Total current assets	209,189	166,870
LAND, BUILDINGS AND EQUIPMENT, net of accumulated depreciation	1,268,277	1,308,251
OTHER ASSETS		
Replacement and general operating reserve	<u>-</u>	<u>23,576</u>
TOTAL ASSETS	<u>\$ 1,477,466</u>	<u>\$ 1,498,697</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable	\$ 3,318	\$ 8,583
Accrued expenses	4,037	1,748
Current portion of long-term debt	<u>4,573</u>	<u>143,718</u>
Total current liabilities	11,928	154,049
LONG-TERM DEBT	188,760	51,776
NET ASSETS		
Unrestricted	1,262,232	1,278,326
Temporarily restricted	<u>14,546</u>	<u>14,546</u>
	<u>1,276,778</u>	<u>1,292,872</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,477,466</u>	<u>\$ 1,498,697</u>

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

HELPING HAND HOUSE

**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE			
Public support			
Grants	\$ 391,437	\$ -	\$ 391,437
Donations	139,201	-	139,201
Fundraising	31,798	-	31,798
In-kind contributions	<u>160,725</u>	<u>-</u>	<u>160,725</u>
Total public support	723,161	-	723,161
Revenue			
Program fees	141,142	-	141,142
Gain on investments	842	-	842
Other	<u>1,010</u>	<u>-</u>	<u>1,010</u>
Total revenue	142,994	-	142,994
Total support and revenue	<u>866,155</u>	<u>-</u>	<u>866,155</u>
EXPENSES			
Program services	649,844	-	649,844
Supporting activities			
Management and general	157,802	-	157,802
Development and fundraising	<u>74,602</u>	<u>-</u>	<u>74,602</u>
Total expenses	<u>882,248</u>	<u>-</u>	<u>882,248</u>
CHANGE IN NET ASSETS	(16,094)	-	(16,094)
NET ASSETS, beginning of year	<u>1,278,326</u>	<u>14,546</u>	<u>1,292,872</u>
NET ASSETS, end of year	<u>\$ 1,262,232</u>	<u>\$ 14,546</u>	<u>\$ 1,276,778</u>

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

HELPING HAND HOUSE

**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE			
Public support			
Grants	\$ 334,208	\$ -	\$ 334,208
Donations	66,888	-	66,888
Fundraising	40,673	-	40,673
In-kind contributions	124,504	-	124,504
Net assets released from restriction	706	(706)	-
Total public support	566,979	(706)	566,273
Revenue			
Program fees	138,668	-	138,668
Gain on investments	1,272	-	1,272
Other	3,281	-	3,281
Total revenue	143,221	-	143,221
Total support and revenue	710,200	(706)	709,494
EXPENSES			
Program services	644,270	-	644,270
Supporting activities			
Management and general	125,265	-	125,265
Development and fundraising	37,818	-	37,818
Total expenses	807,353	-	807,353
CHANGE IN NET ASSETS	(97,153)	(706)	(97,859)
NET ASSETS, beginning of year	1,375,479	15,252	1,390,731
NET ASSETS, end of year	\$ 1,278,326	\$ 14,546	\$ 1,292,872

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

HELPING HAND HOUSE

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Program Services					Supporting Activities			Total
	Rapid Re-Housing	Emergency Housing	Affordable Housing	Permanent Housing	Total Program Services	Management and General	Development & Fundraising	Total Supporting Activities	
Salaries	\$ 50,611	\$ 45,920	\$ 2,811	\$ 23,589	\$ 122,931	\$ 48,339	\$ 35,842	\$ 84,181	\$ 207,112
Payroll taxes and employee benefits	<u>12,652</u>	<u>8,162</u>	<u>688</u>	<u>6,358</u>	<u>27,860</u>	<u>20,228</u>	<u>6,964</u>	<u>27,192</u>	<u>55,052</u>
Total salaries and related expenses	63,263	54,082	3,499	29,947	150,791	68,567	42,806	111,373	262,164
Board	-	-	-	-	-	2,323	-	2,323	2,323
Client Support	120	416	-	905	1,441	-	-	-	1,441
Clothing	405	-	-	-	405	-	-	-	405
Fundraising	-	-	-	-	-	64	12,114	12,178	12,178
In-kind	33,994	122,057	1,275	3,399	160,725	-	-	-	160,725
Insurance	587	2,114	2,637	4,747	10,085	2,203	-	2,203	12,288
Interest and fees	574	437	33	222	1,266	19,663	255	19,918	21,184
Maintenance and repairs	176	20,556	7,906	9,255	37,893	1,821	-	1,821	39,714
Marketing	36	36	5	14	91	1,243	5,667	6,910	7,001
Miscellaneous	6	-	-	-	6	710	-	710	716
Office	2,003	2,079	161	511	4,754	13,282	1,021	14,303	19,057
Professional development	500	-	-	-	500	-	919	919	1,419
Professional services	4,160	4,160	520	1,560	10,400	24,155	10,920	35,075	45,475
Rent - program	162,983	-	-	-	162,983	-	-	-	162,983
Telephone	1,371	1,371	179	499	3,420	5,577	408	5,985	9,405
Transportation	2,263	663	12	954	3,892	373	-	373	4,265
Travel	322	924	9	782	2,037	3,421	493	3,914	5,951
Utilities	1,227	23,030	-	31,803	56,060	4,609	-	4,609	60,669
Utilities assistance	<u>200</u>	<u>100</u>	<u>148</u>	<u>-</u>	<u>448</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>448</u>
Total expenses before depreciation	274,190	232,025	16,384	84,598	607,197	148,011	74,603	222,614	829,811
Depreciation	<u>-</u>	<u>4,453</u>	<u>8,838</u>	<u>30,270</u>	<u>43,561</u>	<u>8,877</u>	<u>-</u>	<u>8,877</u>	<u>52,438</u>
Total expenses	<u>\$ 274,190</u>	<u>\$ 236,478</u>	<u>\$ 25,222</u>	<u>\$ 114,868</u>	<u>\$ 650,758</u>	<u>\$ 156,888</u>	<u>\$ 74,603</u>	<u>\$ 231,491</u>	<u>\$ 882,249</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, 2016**

	Program Services					Supporting Activities			Total
	Rapid Re-Housing	Emergency Housing	Affordable Housing	Permanent Housing	Total Program Services	Management and General	Development & Fundraising	Total Supporting Activities	
Salaries	\$ 92,685	\$ 22,579	\$ 4,002	\$ 30,887	\$ 150,153	\$ 42,746	\$ 21,380	\$ 64,126	\$ 214,279
Payroll taxes and employee benefits	<u>13,111</u>	<u>2,345</u>	<u>429</u>	<u>8,740</u>	<u>24,625</u>	<u>4,885</u>	<u>2,322</u>	<u>7,207</u>	<u>31,832</u>
Total salaries and related expenses	105,796	24,924	4,431	39,627	174,778	47,631	23,702	71,333	246,111
Client support services	1,825	2,286	51	2,210	6,372	68	-	68	6,440
In-kind	18,008	101,442	1,896	3,159	124,505	-	-	-	124,505
Insurance	2,696	5,567	3,511	7,342	19,116	2,071	-	2,071	21,187
Interest and fees	459	96	12	151	718	12,598	81	12,679	13,397
Maintenance and repairs	121	19,019	16,774	20,445	56,359	1,966	-	1,966	58,325
Marketing	-	-	-	-	-	-	680	680	680
Miscellaneous	-	-	-	-	-	9,134	235	9,369	9,369
Office	3,065	901	235	578	4,779	8,182	1,293	9,475	14,254
Professional services	3,618	1,490	1,819	2,341	9,268	26,214	8,513	34,727	43,995
Rent - program	143,756	-	-	-	143,756	-	-	-	143,756
Telephone	2,596	809	238	499	4,142	3,020	1,466	4,486	8,628
Transportation	124	37	8	17	186	125	20	145	331
Travel	589	429	129	1,581	2,728	2,593	916	3,509	6,237
Utilities	1,968	17,389	4,219	27,518	51,094	1,872	912	2,784	53,878
Utilities assistance	<u>2,557</u>	<u>1,265</u>	<u>-</u>	<u>-</u>	<u>3,822</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,822</u>
Total expenses before depreciation	287,178	175,654	33,323	105,468	601,623	115,474	37,818	153,292	754,915
Depreciation	<u>-</u>	<u>7,220</u>	<u>6,408</u>	<u>29,019</u>	<u>42,647</u>	<u>9,791</u>	<u>-</u>	<u>9,791</u>	<u>52,438</u>
Total expenses	<u>\$ 287,178</u>	<u>\$ 182,874</u>	<u>\$ 39,731</u>	<u>\$ 134,487</u>	<u>\$ 644,270</u>	<u>\$ 125,265</u>	<u>\$ 37,818</u>	<u>\$ 163,083</u>	<u>\$ 807,353</u>

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

HELPING HAND HOUSE

**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (16,094)	\$ (97,859)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	53,064	52,439
Proceeds from sale of investment	28,061	-
Unrealized gain on investments	-	17,820
Replacement and general operating reserves	23,576	(1,200)
Changes in assets and liabilities:		
Grants receivable	(2,391)	162,066
Prepays	141	2,310
Accounts payable and accrued expenses	(2,976)	(9,744)
Deferred revenue	-	(21,000)
Net cash provided by operating activities	<u>83,381</u>	<u>104,832</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(12,464)	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Net borrowings (repayments) on line of credit	-	(45,000)
Repayment of long-term debt	<u>(2,787)</u>	<u>(38,527)</u>
Net cash (used) by financing activities	<u>(2,787)</u>	<u>(83,527)</u>
NET CHANGE IN CASH	68,130	21,305
CASH AND CASH EQUIVALENTS, beginning of year	<u>111,553</u>	<u>90,248</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 179,683</u>	<u>\$ 111,553</u>
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid for interest	<u>\$ 10,818</u>	<u>\$ 10,060</u>
Loan fees financed with new long-term debt	<u>\$ 4,693</u>	<u>\$ -</u>

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

HELPING HAND HOUSE

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2017 AND 2016

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:

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.

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.

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.

HELPING HAND HOUSE

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

NOTE 1 - NATURE OF ORGANIZATION (Continued)

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.

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:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may be met, either by actions of the Organization and/or the passage of time. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, donors of these assets permit the Organization to use all or part of the income earned on any related investments for general or specific purposes. No permanently restricted assets were held during 2017 and 2016 and, accordingly, these financial statements do not reflect any activity related to this class of net assets.

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.

HELPING HAND HOUSE

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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:

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.

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.

HELPING HAND HOUSE

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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, 2017 and 2016, the Organization received in-kind rent with an estimated value of \$107,000 and \$92,000, and received other goods and professional services with an estimated value of \$54,000 and \$32,000.

The Organization also receives significant amounts of donated volunteer services. During 2017 and 2016, HHH received 626 and 965 donated volunteer service hours. These donated volunteer services were not recorded as support or expense because they do not meet the criteria for recognition.

HELPING HAND HOUSE

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2017 AND 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 unrestricted net assets 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.

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, 2017 and 2016, 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 Company 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 June 27, 2018, the date the financial statements were available to be issued.

HELPING HAND HOUSE

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2017 AND 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pending Accounting Pronouncements

In August 2016, the FASB issued ASU 2016-14, Presentation of Financial Statements of Not-for-Profit Entities. The ASU will change the way all Not-For-Profits classify net assets and prepare financial statements. It is effective for annual financial statements issued for fiscal years beginning after December 15, 2017 and for interim periods within fiscal years beginning after December 15, 2018. Management is currently evaluating the impact this update will have on the Center's financial statements.

In August 2015, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, Revenue from Contracts with Customers (Topic 606). The new standard is effective for reporting periods beginning after December 15, 2018 and early adoption is permitted. This comprehensive new standard will supersede existing revenue recognition guidance and require revenue to be recognized when promised goods or services are transferred to customers in amounts that reflect the consideration to which the company expects to be entitled in exchange for those goods or services. The standard also requires expanded disclosures regarding revenue and contracts with customers. The guidance permits two implementation approaches, one requiring retrospective application of the new standard with restatement of prior years and one requiring prospective application of the new standard with disclosure of results under old standards. Management is currently evaluating the impact this update will have on the Center's financial statements.

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, 2019 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 Center's financial statements.

HELPING HAND HOUSE

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

NOTE 3 - 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, 2017 and 2016 was \$196 and \$232.

In accordance with GAAP, the following table represents the Organization's fair value hierarchy for its financial assets measured at fair value on a recurring basis as of:

<u>December 31, 2017:</u>	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Equity securities	<u>\$ 270</u>	<u>\$ 270</u>	<u>\$ -</u>	<u>\$ -</u>
<u>December 31, 2016:</u>	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Equity securities	<u>\$ 270</u>	<u>\$ 270</u>	<u>\$ -</u>	<u>\$ -</u>
Annuity	<u>28,061</u>	<u>-</u>	<u>-</u>	<u>28,061</u>
	<u>\$ 28,331</u>	<u>\$ 270</u>	<u>\$ -</u>	<u>\$ 28,061</u>

NOTE 4 - LAND, BUILDINGS AND EQUIPMENT

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

	<u>2017</u>	<u>2016</u>
Property and equipment used for emergency shelter	\$ 1,855,301	\$ 1,855,301
Office building	331,129	331,129
Office equipment	12,465	12,989
Vehicles	<u>23,959</u>	<u>23,959</u>
	2,222,854	2,223,378
Less accumulated depreciation	<u>(954,577)</u>	<u>(915,127)</u>
	<u>\$ 1,268,277</u>	<u>\$ 1,308,251</u>

Depreciation expense totaled \$52,438 and \$52,438 for the years ended December 31, 2017 and 2016.

HELPING HAND HOUSE

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

NOTE 5 - LONG-TERM DEBT

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

	<u>2017</u>	<u>2016</u>
Mortgage payable to Red Canoe Credit Union, \$977 per month, including interest at 4.99%, with a balloon payment due in June 2022, secured by a deed of trust on land and building.	\$ 145,624	\$ -
Note payable to Pierce County Community Development Corporation for additional construction costs for the purchase and renovation of emergency housing, no payments, due February 2051.	51,776	51,776
Mortgage payable to Washington Community Reinvestment Association (WCRA) repaid in 2017.	<u>-</u> 197,400	<u>143,718</u> 195,494
Less current portion	(4,573)	(143,718)
Less loan origination fees, net	<u>(4,067)</u>	<u>-</u>
	<u>\$ 188,760</u>	<u>\$ 51,776</u>

The loan agreement with WCRA required the Organization to deposit a set amount in operating and replacement reserves. The deposits were \$23,576 as of December 31, 2016.

NOTE 6 - LINE OF CREDIT

The Organization had a \$150,000 line of credit available through Pacific Continental There was no outstanding balance on the line of credit at December 31, 2016. The line was closed in April of 2017.

In April 2017, the Organization secured a new line of credit with Red Canoe Credit Union. The new line as a credit limit of \$75,000 and matures in June 2019. There was no outstanding balance at December 31, 2017.

HELPING HAND HOUSE

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

NOTE 7 - RESTRICTIONS ON NET ASSETS

Net assets were released from restrictions by incurring expenses satisfying the purpose restrictions specified by the donors or time restrictions on pledges as follows:

	<u>2017</u>	<u>2016</u>
Restrictions accomplished:		
Purpose restrictions	\$ <u> -</u>	\$ <u> 706</u>

Temporarily restricted net assets at December 31, 2017 and 2016 included the following:

	<u>2017</u>	<u>2016</u>
Program restricted grants	\$ <u> 14,546</u>	\$ <u> 14,546</u>