

**HELPING HAND HOUSE**

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

**DECEMBER 31, 2018 AND 2017**

**BRANTLEY JANSON**  
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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, 2018 and 2017, 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 11, 2019

**HELPING HAND HOUSE**

**STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2018 AND 2017**

(See Independent Accountant's Review Report)

**ASSETS**

	<u>2018</u>	<u>2017</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 204,350	\$ 179,683
Investments	237	270
Grants receivable	38,946	21,531
Prepays	<u>8,318</u>	<u>7,705</u>
Total current assets	251,851	209,189
LAND, BUILDINGS AND EQUIPMENT, net of accumulated depreciation	<u>1,159,231</u>	<u>1,187,316</u>
 TOTAL ASSETS	 <u>\$ 1,411,082</u>	 <u>\$ 1,396,505</u>

**LIABILITIES AND NET ASSETS**

CURRENT LIABILITIES		
Accounts payable	\$ 6,520	\$ 3,318
Accrued expenses	3,716	4,037
Tenant security deposits	339	-
Current portion of long-term debt	<u>4,807</u>	<u>4,573</u>
Total current liabilities	15,382	11,928
LONG-TERM DEBT	<u>184,822</u>	<u>188,760</u>
 TOTAL LIABILITIES	 200,204	 200,688
NET ASSETS		
Without donor restrictions	1,200,502	1,181,271
With donor restrictions	<u>10,376</u>	<u>14,546</u>
	<u>1,210,878</u>	<u>1,195,817</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 1,411,082</u>	 <u>\$ 1,396,505</u>

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

**HELPING HAND HOUSE**

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

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
<b>SUPPORT AND REVENUE</b>			
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	4,170	(4,170)	-
Total public support	950,384	(4,170)	946,214
Revenue			
Program fees	137,997	-	137,997
Other	47,578	-	47,578
Total revenue	185,575	-	185,575
Total support and revenue	1,135,959	(4,170)	1,131,789
<b>EXPENSES</b>			
Program services	900,620	-	900,620
Supporting activities			
Management and general	177,773	-	177,773
Development and fundraising	38,335	-	38,335
Total expenses	1,116,728	-	1,116,728
CHANGE IN NET ASSETS	19,231	(4,170)	15,061
NET ASSETS, beginning of year	1,181,271	14,546	1,195,817
NET ASSETS, end of year	\$ 1,200,502	\$ 10,376	\$ 1,210,878

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

**HELPING HAND HOUSE**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2017  
(See Independent Accountant's Review Report)**

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
<b>SUPPORT AND REVENUE</b>			
Public support			
Grants	\$ 391,437	\$ -	\$ 391,437
Donations	139,201	-	139,201
Fundraising	31,798	-	31,798
In-kind contributions	160,725	-	160,725
Total public support	723,161	-	723,161
Revenue			
Program fees	141,142	-	141,142
Gain on investments	842	-	842
Other	1,010	-	1,010
Total revenue	142,994	-	142,994
Total support and revenue	866,155	-	866,155
<b>EXPENSES</b>			
Program services	650,758	-	650,758
Supporting activities			
Management and general	156,888	-	156,888
Development and fundraising	74,603	-	74,603
Total expenses	882,249	-	882,249
CHANGE IN NET ASSETS	(16,094)		(16,094)
<b>NET ASSETS, beginning of year</b>			
As originally stated	1,278,326	14,546	1,292,872
Prior period adjustment (see Note 2)	(80,961)	-	(80,961)
NET ASSETS, beginning of year, restated	1,197,365	14,546	1,211,911
NET ASSETS, end of year	\$ 1,181,271	\$ 14,546	\$ 1,195,817

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**

	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	\$ 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
<b>Total salaries and related expenses</b>	<b>42,346</b>	<b>79,174</b>	<b>91,979</b>	<b>30,972</b>	<b>4,871</b>	<b>249,342</b>	<b>95,532</b>	<b>-</b>	<b>95,532</b>	<b>344,874</b>
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	6,225	538	6,763	10,658
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
<b>Total expenses before depreciation</b>	<b>84,896</b>	<b>323,816</b>	<b>352,052</b>	<b>87,168</b>	<b>11,949</b>	<b>859,881</b>	<b>165,976</b>	<b>38,335</b>	<b>204,311</b>	<b>1,064,192</b>
Depreciation	-	4,982	-	26,517	9,240	40,739	11,797	-	11,797	52,536
<b>Total expenses</b>	<b>\$ 84,896</b>	<b>\$ 328,798</b>	<b>\$ 352,052</b>	<b>\$ 113,685</b>	<b>\$ 21,189</b>	<b>\$ 900,620</b>	<b>\$ 177,773</b>	<b>\$ 38,335</b>	<b>\$ 216,108</b>	<b>\$ 1,116,728</b>

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  
(See Independent Accountant's Review Report)**

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

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



**HELPING HAND HOUSE**

**STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**  
(See Independent Accountant's Review Report)

	<u>2018</u>	<u>2017</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 15,061	\$ (16,094)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	52,536	53,064
Proceeds from sale of investment	-	28,061
Unrealized loss on investments	33	-
Replacement and general operating reserves	-	23,576
Changes in assets and liabilities:		
Grants receivable	(17,415)	(2,391)
Prepays	(613)	141
Accounts payable	3,202	(2,976)
Accrued expenses	(321)	-
Security deposits	339	-
Net cash provided by operating activities	<u>52,822</u>	<u>83,381</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(24,451)	(12,464)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of long-term debt	<u>(3,704)</u>	<u>(2,787)</u>
<b>NET CHANGE IN CASH</b>	24,667	68,130
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	<u>179,683</u>	<u>111,553</u>
<b>CASH AND CASH EQUIVALENTS, end of year</b>	<u>\$ 204,350</u>	<u>\$ 179,683</u>
<b>SUPPLEMENTAL CASH FLOW INFORMATION</b>		
Cash paid for interest	<u>\$ 8,180</u>	<u>\$ 10,818</u>
Loan fees financed with new long-term debt	<u>\$ -</u>	<u>\$ 4,693</u>

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

## HELPING HAND HOUSE

### **NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018 AND 2017**

#### **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, 2018 AND 2017**

#### **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, 2018 AND 2017**

**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, 2018 AND 2017**

**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, 2018 and 2017, the Organization received in-kind rent with an estimated value of \$107,000 and \$107,000, and received other goods and professional services with an estimated value of \$83,000 and \$54,000.

The Organization also receives significant amounts of donated volunteer services. During 2018 and 2017, HHH received 474 and 626 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 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.

**HELPING HAND HOUSE**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018 AND 2017**

**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, 2018 and 2017, 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 June 11, 2019, the date the financial statements were available to be issued.

**Adoption of Accounting Principle**

Helping Hand House as adopted the provisions of Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. ASU 2016-14 prescribes significant changes to the financial reporting model of organizations that follow the not-for-profit reporting model. These changes include reducing the classes of net assets from three to two – net assets with donor restrictions and net assets without donor restrictions. The ASU also requires changes in the way certain information is aggregated and reported by the Organization, including requiring disclosures about liquidity and availability of resources and increased disclosures of functional expenses. Helping Hand House adopted the ASU effective January 1, 2018.

**Reclassifications**

Certain reclassifications have been made to the 2017 financial statements in order to conform to the 2018 presentation. The reclassifications have no impact on the previously reported change in net assets.

**HELPING HAND HOUSE**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018 AND 2017**

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

**Pending Accounting Pronouncements**

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 Organization'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 Organization's financial statements.

**Prior Period Adjustment**

In the current year, management corrected an error in the reported amount of fixed assets and related depreciation. Prior year beginning net assets have been restated to reflect the results of this correction.

**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.

**HELPING HAND HOUSE**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018 AND 2017**

**NOTE 3 - LIQUIDITY AND AVAILABILITY OF RESOURCES (Continued)**

The following table reflects the Organization's financial assets (cash and cash equivalents, investments and receivables) as of December 31, 2018, reduced by amounts not available for general expenditures within one year.

Total financial assets	\$ 243,533
Less those unavailable for general expenditure within one year due to:	
Purpose restrictions	10,376
Tenant security deposits	<u>339</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 232,818</u>

**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, 2018 and 2017 was \$599 and \$196.

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>2018</u>	<u>2017</u>
Property and equipment used for emergency shelter	\$ 1,717,909	\$ 1,774,340
Office building	338,822	331,129
Office equipment	12,465	12,465
Vehicles	<u>23,959</u>	<u>23,959</u>
	2,093,155	2,141,893
Less accumulated depreciation	<u>(933,924)</u>	<u>(954,577)</u>
	<u>\$ 1,159,231</u>	<u>\$ 1,187,316</u>



**HELPING HAND HOUSE**

**NOTES TO FINANCIAL STATEMENTS  
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**NOTE 6 - LONG-TERM DEBT**

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

	<u>2018</u>	<u>2017</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	\$ 141,060	\$ 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 in February 2051	<u>51,776</u>	<u>51,776</u>
	192,836	197,400
Less current portion	(4,807)	(4,573)
Less loan origination fees, net	<u>(3,207)</u>	<u>(4,067)</u>
	<u>\$ 184,822</u>	<u>\$ 188,760</u>

Future repayment of long-term debt is as follows for the years ending December 31:

2019	\$ 4,807
2020	5,052
2021	5,310
2022	125,891
Thereafter	<u>51,776</u>
	<u>\$ 192,836</u>

**NOTE 7 - LINE OF CREDIT**

The Organization has a line of credit with Red Canoe Credit Union. The new line as a credit limit of \$75,000 and matures in June 2022. There was no outstanding balance at December 31, 2018 and 2017.

**HELPING HAND HOUSE**

**NOTES TO FINANCIAL STATEMENTS  
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**NOTE 8 - RESTRICTIONS ON NET ASSETS**

Net assets with donor restrictions at December 31, 2018 and 2017 included the following:

Program-restricted grants	<u>\$ 10,376</u>	<u>\$ 14,546</u>
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