

Combined Financial Statements

Helping Hand Home for Children, Inc.
and Helping Hand Home for Children Foundation

*As of and for the years ended June 30, 2019 and 2018
with Report of Independent Auditors*



AUDIT • TAX • ADVISORY

Report of Independent Auditors

To the Board of Directors of
Helping Hand Home for Children, Inc. and
Helping Hand Home for Children Foundation

We have audited the accompanying combined financial statements of Helping Hand Home for Children, Inc. and Helping Hand Home for Children Foundation (collectively, “Helping Hand”), which comprise the combined statements of financial position as of June 30, 2019 and 2018, and the related combined statements of activities and changes in net assets, combined statements of functional expenses, and combined statements of cash flows for the years then ended, and the related notes to the combined financial statements (the “Combined Financial Statements”).

Management’s Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these combined 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 the combined financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the combined financial statements are free from 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 combined financial statements referred to above present fairly, in all material respects, the financial position of Helping Hand as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



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Emphasis of Matter - change in accounting principle

As discussed in Note 2 to the financial statements, in 2019, the Organization adopted Financial Accounting Standards Board Accounting Standards Update No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Holtzman Partners, LLP

Austin, Texas
October 23, 2019

Helping Hand Home for Children, Inc.
and Helping Hand Home for Children Foundation

Combined Statement of Financial Position

| | June 30, 2019 | | |
|---|----------------------|---------------|---------------|
| | Helping Hand Home | Foundation | Total |
| Assets | | | |
| Current assets: | | | |
| Cash and cash equivalents | \$ 1,067,209 | \$ 313,562 | \$ 1,380,771 |
| Cash and cash equivalents, restricted | 3,229,083 | – | 3,229,083 |
| Investments | – | 10,829,448 | 10,829,448 |
| Accounts receivable | 570,677 | – | 570,677 |
| Prepaid expenses and other current assets | 49,766 | 850 | 50,616 |
| Total current assets | 4,916,735 | 11,143,860 | 16,060,595 |
| Property and equipment, net | 2,691,052 | – | 2,691,052 |
| Total assets | \$ 7,607,787 | \$ 11,143,860 | \$ 18,751,647 |
| Liabilities and net assets | | | |
| Current liabilities: | | | |
| Accounts payable | \$ 64,146 | \$ – | \$ 64,146 |
| Accrued liabilities | 351,672 | – | 351,672 |
| Deferred revenues | 761,056 | – | 761,056 |
| Total current liabilities | 1,176,874 | – | 1,176,874 |
| Total liabilities | 1,176,874 | – | 1,176,874 |
| Net assets: | | | |
| Without Donor Restrictions | 2,948,604 | 11,010,645 | 13,959,249 |
| With Donor Restrictions | 3,482,309 | 133,215 | 3,615,524 |
| Total net assets | 6,430,913 | 11,143,860 | 17,574,773 |
| Total liabilities and net assets | \$ 7,607,787 | \$ 11,143,860 | \$ 18,751,647 |

See accompanying notes to combined financial statements.

Helping Hand Home for Children, Inc.
and Helping Hand Home for Children Foundation

Combined Statement of Financial Position

| | June 30, 2018 | | |
|---|------------------------------|-------------------|---------------|
| | Helping Hand Home | Foundation | Total |
| Assets | | | |
| Current assets: | | | |
| Cash and cash equivalents | \$ 1,035,086 | \$ 575,199 | \$ 1,610,285 |
| Investments | – | 10,057,934 | 10,057,934 |
| Accounts receivable | 505,595 | – | 505,595 |
| Prepaid expenses and other current assets | 100,374 | – | 100,374 |
| Total current assets | 1,641,055 | 10,633,133 | 12,274,188 |
| Property and equipment, net | 2,713,969 | – | 2,713,969 |
| Total assets | \$ 4,355,024 | \$ 10,633,133 | \$ 14,988,157 |
| Liabilities and net assets | | | |
| Current liabilities: | | | |
| Accounts payable | \$ 48,776 | \$ 1,296 | \$ 50,072 |
| Accrued liabilities | 299,072 | – | 299,072 |
| Deferred revenues | 628,728 | – | 628,728 |
| Total current liabilities | 976,576 | 1,296 | 977,872 |
| Total liabilities | 976,576 | 1,296 | 977,872 |
| Net assets: | | | |
| Net assets without donor restrictions | 2,773,057 | 10,557,318 | 13,330,375 |
| Net assets with donor restrictions | 605,391 | 74,519 | 679,910 |
| Total net assets | 3,378,448 | 10,631,837 | 14,010,285 |
| Total liabilities and net assets | \$ 4,355,024 | \$ 10,633,133 | \$ 14,988,157 |

See accompanying notes to combined financial statements.

Helping Hand Home for Children, Inc.
and Helping Hand Home for Children Foundation

Combined Statement of Activities and Changes in Net Assets

| | Year ended June 30, 2019 | | |
|--|--------------------------|---------------|---------------|
| | Helping Hand Home | Foundation | Total |
| Changes in Net Assets without Donor Restrictions | | | |
| Public support and revenue | | | |
| Program revenue | \$ 4,254,250 | \$ – | \$ 4,254,250 |
| Contributions and public support | 907,484 | 35,577 | 943,061 |
| Fundraising events | 1,944,537 | – | 1,944,537 |
| In-kind support | 375,970 | – | 375,970 |
| Other revenue | 14,453 | 31 | 14,484 |
| Investment income | 618 | 545,638 | 546,256 |
| Total public support and revenue | 7,497,312 | 581,246 | 8,078,558 |
| Contributions from Foundation to Home | – | (105,924) | (105,924) |
| Expenses paid by Foundation to Home | 12,000 | (12,000) | – |
| Net assets released from restrictions | | | |
| Restrictions satisfied by payments | 1,542,705 | – | 1,542,705 |
| Total public support, revenue, and net assets released from restrictions | 9,052,017 | 463,322 | 9,515,339 |
| Expenses | | | |
| Program services | | | |
| Residential Treatment Center | 5,196,317 | – | 5,196,317 |
| Foster Care | 1,315,219 | – | 1,315,219 |
| UT Charter School | 468,598 | – | 468,598 |
| East Campus Expansion | 110,609 | – | 110,609 |
| Total program services | 7,090,743 | – | 7,090,743 |
| Supporting services | | | |
| Management and general | 825,681 | 9,995 | 835,676 |
| Fundraising | 960,046 | – | 960,046 |
| Total supporting services | 1,785,727 | 9,995 | 1,795,722 |
| Total expenses | 8,876,470 | 9,995 | 8,886,465 |
| Increase in net assets without donor restrictions | \$ 175,547 | \$ 453,327 | \$ 628,874 |
| Net assets without donor restrictions at beginning of year | \$ 2,773,057 | \$ 10,557,318 | \$ 13,330,375 |
| Net assets without donor restrictions at end of year | \$ 2,948,604 | \$ 11,010,645 | \$ 13,959,249 |

See accompanying notes to combined financial statements.

Helping Hand Home for Children, Inc.
and Helping Hand Home for Children Foundation

Combined Statement of Activities and Changes in Net Assets

| | Year ended June 30, 2019 | | |
|---|--------------------------|------------|-------------|
| | Helping Hand Home | Foundation | Total |
| Changes in Net Assets with Donor Restrictions | | | |
| Public support and revenue | | | |
| Contributions and public support | \$ 222,006 | \$ 55,000 | \$ 277,006 |
| Grants and contracts | 1,103,945 | – | 1,103,945 |
| East Camus Expansion | 2,974,577 | – | 2,974,577 |
| Investment income | 13,171 | 3,696 | 16,867 |
| Total public support and revenue | 4,313,699 | 58,696 | 4,372,395 |
| Contributions from Foundation to Home | 105,924 | – | 105,924 |
| Net assets released from restrictions | | | |
| Restrictions satisfied by payments | (1,542,705) | – | (1,542,705) |
| Increase in net assets with donor restriction | \$ 2,876,918 | \$ 58,696 | \$2,935,614 |
| Net assets with donor restrictions at beginning of year | \$ 605,391 | \$ 74,519 | \$ 679,910 |
| Net assets with donor restrictions at end of year | \$ 3,482,309 | \$ 133,215 | \$3,615,524 |

See accompanying notes to combined financial statements.

Helping Hand Home for Children, Inc.
and Helping Hand Home for Children Foundation

Combined Statement of Activities and Changes in Net Assets

| | Year ended June 30, 2018 | | |
|---|--------------------------|---------------|---------------|
| | Helping Hand Home | Foundation | Total |
| Changes in Net Assets without Donor Restrictions | | | |
| Public support and revenue | | | |
| Program revenue | \$ 3,774,128 | \$ — | \$ 3,774,128 |
| Contributions and public support | 810,809 | 34,946 | 845,755 |
| Fundraising events | 1,859,546 | — | 1,859,546 |
| In-kind support | 365,462 | — | 365,462 |
| Other revenue | 5,909 | 57 | 5,966 |
| Investment income | 461 | 830,292 | 830,753 |
| Total public support and revenue | 6,816,315 | 865,295 | 7,681,610 |
| Contributions from Foundation to Home | 20,622 | (20,622) | — |
| Expenses paid by Foundation to Home | | | |
| Net assets released from restrictions | 1,184,524 | — | 1,184,524 |
| Restrictions satisfied by payments | | | |
| Total public support, revenue, and Net assets released from restrictions | 8,021,461 | 844,673 | 8,866,134 |
| Expenses | | | |
| Program services | | — | |
| Residential Treatment Center | 4,971,964 | — | 4,971,964 |
| Foster Care | 1,166,219 | — | 1,166,219 |
| UT Charter School | 442,647 | — | 442,647 |
| Total program services | 6,580,830 | | 6,580,830 |
| Supporting services | | | |
| Management and general | 793,089 | 9,514 | 802,603 |
| Fundraising | 892,497 | — | 892,497 |
| Total supporting services | 1,685,586 | 9,514 | 1,695,100 |
| Total expenses | 8,266,416 | 9,514 | 8,275,930 |
| Increase (decrease) in net assets without donor restrictions | \$ (244,955) | \$ 835,159 | \$ 590,204 |
| Net assets without donor restrictions at beginning of year | \$ 3,018,012 | \$ 9,722,159 | \$ 12,740,171 |
| Net assets without donor restrictions at end of year | \$ 2,773,057 | \$ 10,557,318 | \$ 13,330,375 |

See accompanying notes to combined financial statements.

Helping Hand Home for Children, Inc.
and Helping Hand Home for Children Foundation

Combined Statement of Activities and Changes in Net Assets

| | Year ended June 30, 2018 | | |
|---|--------------------------|------------|-------------|
| | Helping Hand Home | Foundation | Total |
| Changes in Net Assets with Donor Restrictions | | | |
| Public support and revenue | | | |
| Contributions and public support | \$ 250,347 | \$ 57,626 | \$ 307,973 |
| Grants and contracts | 1,011,078 | – | 1,011,078 |
| East Campus Expansion | 250,685 | – | 250,685 |
| Investment income | – | 1,297 | 1,297 |
| Total public support and revenue | 1,512,110 | 58,923 | 1,571,033 |
| Net assets released from restrictions | | | |
| Restrictions satisfied by payments | (1,184,524) | – | (1,184,524) |
| Increase in net assets with donor restriction | \$ 327,586 | \$ 58,923 | \$ 368,509 |
| Net assets with donor restrictions at beginning of year | \$ 277,805 | \$ 15,596 | \$ 293,401 |
| Net assets with donor restrictions at end of year | \$ 605,391 | \$ 74,519 | \$ 679,910 |

See accompanying notes to combined financial statements.

Helping Hand Home for Children, Inc.
and Helping Hand Home for Children Foundation

Combined Statement of Functional Expenses

For the year ended June 30, 2019

| | Program Services | | | | | Supporting Services | | | Total |
|--|------------------------------------|-------------|----------------------|-----------------------------|------------------------------|---------------------------|-------------|---------------------------------|--------------|
| | Residential Treatment Center | Foster Care | UT Charter School | East Campus Expansion | Total Program Services | Management and General | Fundraising | Total Supporting Services | |
| Expenses | | | | | | | | | |
| Salaries, benefits, and contract labor | \$4,071,897 | \$ 563,133 | \$ 162,573 | – | \$4,797,603 | \$ 512,513 | \$ 326,397 | \$ 838,910 | \$ 5,636,513 |
| Direct care costs | 402,462 | 644,761 | 282,826 | – | 1,330,049 | – | – | – | 1,330,049 |
| Operations costs | 61,594 | 10,259 | 2,063 | 110,609 | 184,525 | 53,479 | 580,868 | 634,347 | 818,872 |
| Educational services costs | 22,956 | – | 1,061 | – | 24,017 | – | – | – | 24,017 |
| Administrative expenses | 29,004 | 43,482 | – | – | 72,486 | 245,460 | 22,850 | 268,310 | 340,796 |
| Payroll taxes | 279,525 | 37,369 | 10,155 | – | 327,049 | – | 21,876 | 21,876 | 348,925 |
| Facility costs | 132,227 | 5,023 | 9,148 | – | 146,398 | 6,616 | 6,117 | 12,733 | 159,131 |
| Workers compensation expense | 40,686 | 3,281 | 772 | – | 44,739 | 642 | 396 | 1,038 | 45,777 |
| Transportation costs | 24,862 | 3,284 | – | – | 28,146 | – | – | – | 28,146 |
| Total before depreciation | 5,065,213 | 1,310,592 | 468,598 | 110,609 | 6,955,012 | 818,710 | 958,504 | 1,777,214 | 8,732,226 |
| Depreciation | 131,104 | 4,627 | – | – | 135,731 | 16,966 | 1,542 | 18,508 | 154,239 |
| Total expenses | \$5,196,317 | \$1,315,219 | \$ 468,598 | \$ 110,609 | \$7,090,743 | \$ 835,676 | \$960,046 | \$1,795,722 | \$ 8,886,465 |

See accompanying notes to combined financial statements.

Helping Hand Home for Children, Inc.
and Helping Hand Home for Children Foundation

Combined Statement of Functional Expenses

For the year ended June 30, 2018

| | Program Services | | | Supporting Services | | | Total | |
|--|------------------------------|-------------|-------------------|------------------------|------------------------|-------------|-------------|---------------------------|
| | Residential Treatment Center | Foster Care | UT Charter School | Total Program Services | Management and General | Fundraising | | Total Supporting Services |
| Expenses | | | | | | | | |
| Salaries, benefits, and contract labor | \$ 3,863,620 | \$ 506,878 | \$ 150,005 | \$ 4,520,503 | \$ 470,527 | \$ 307,978 | \$ 778,505 | \$ 5,299,008 |
| Direct care costs | 401,009 | 566,039 | 269,023 | 1,236,071 | – | – | – | 1,236,071 |
| Operations costs | 47,362 | 8,025 | 2,062 | 57,449 | 52,318 | 531,497 | 583,815 | 641,264 |
| Educational services costs | 24,561 | – | 1,794 | 26,355 | – | – | – | 26,355 |
| Administrative expenses | 25,583 | 33,596 | 25 | 59,204 | 227,823 | 22,823 | 250,646 | 309,850 |
| Payroll taxes | 261,348 | 33,503 | 10,250 | 305,101 | 25,705 | 20,906 | 46,611 | 351,712 |
| Facility costs | 127,983 | 6,007 | 8,311 | 142,301 | 7,142 | 6,774 | 13,916 | 156,217 |
| Workers compensation expense | 59,338 | 4,037 | 1,177 | 64,552 | 1,114 | 885 | 1,999 | 66,551 |
| Transportation costs | 22,272 | 3,232 | – | 25,504 | – | – | – | 25,504 |
| Total before depreciation | 4,833,076 | 1,161,317 | 442,647 | 6,437,040 | 784,629 | 890,863 | 1,675,492 | 8,112,532 |
| Depreciation | 138,888 | 4,902 | – | 143,790 | 17,974 | 1,634 | 19,608 | 163,398 |
| Total expenses | \$4,971,964 | \$1,166,219 | \$ 442,647 | \$ 6,580,830 | \$ 802,603 | \$ 892,497 | \$1,695,100 | \$ 8,275,930 |

See accompanying notes to combined financial statements.

Helping Hand Home for Children, Inc.
and Helping Hand Home for Children Foundation

Combined Statement of Cash Flows

| | Year ended June 30, 2019 | | |
|--|--------------------------|-------------|--------------|
| | Helping Hand Home | Foundation | Total |
| Cash flows from operating activities | | | |
| Increase in net assets | \$ 3,052,465 | \$ 512,023 | \$ 3,564,488 |
| Adjustments to reconcile change in net assets to cash (used in) provided by operating activities: | | | |
| Depreciation | 154,439 | – | 154,439 |
| Receipt of contributed securities | (964,432) | – | (964,432) |
| Contributions for capital expenditures | (2,129,240) | – | (2,129,240) |
| Realized (gain) loss on investments | – | (239,500) | (239,500) |
| Unrealized (gain) loss on investments | – | 81,148 | 81,148 |
| Changes in assets and liabilities: | | | |
| Accounts receivable | (65,082) | – | (65,082) |
| Prepaid expenses and other current assets | 50,613 | – | 50,613 |
| Accounts payable and accruals | 67,970 | (2,146) | 65,824 |
| Deferred revenue | 132,328 | – | 132,328 |
| Net cash (used in) provided by operating activities | 299,061 | 351,525 | 650,586 |
| Cash flows from investing activities | | | |
| Purchase of investments | – | (2,506,987) | (2,506,987) |
| Proceeds from sales of investments | – | 1,893,825 | 1,893,825 |
| Purchase of property and equipment | (131,527) | – | (131,527) |
| Net cash (used in) provided by investing activities | (131,527) | (613,162) | (744,689) |
| Cash flows from financing activities | | | |
| Proceeds from sale of contributed securities | 964,432 | – | 964,432 |
| Contributions for capital expenditures | 2,129,240 | – | 2,129,240 |
| Net cash provided by financing activities | 3,093,672 | – | 3,093,672 |
| Net change in cash and cash equivalents, and cash and cash equivalents, restricted | 3,261,206 | (261,637) | 2,999,569 |
| Beginning of year cash and cash equivalents, and cash and cash equivalents, restricted | 1,035,086 | 575,199 | 1,610,285 |
| End of year cash and cash equivalents, and cash and cash equivalents, restricted | \$ 4,296,292 | \$ 313,562 | \$ 4,609,854 |

See accompanying notes to combined financial statements.

Helping Hand Home for Children, Inc.
and Helping Hand Home for Children Foundation

Combined Statement of Cash Flows

| | Year ended June 30, 2018 | | |
|---|---------------------------------|-------------------|--------------|
| | Helping Hand Home | Foundation | Total |
| Cash flows from operating activities | | | |
| Increase in net assets | \$ 82,631 | \$ 894,082 | \$ 976,713 |
| Adjustments to reconcile change in net assets to cash provided by operating activities: | | | |
| Depreciation | 163,398 | – | 163,398 |
| Receipt of contributed securities | – | (81,191) | (81,191) |
| Proceeds from sale of contributed securities | – | 81,191 | 81,191 |
| Contributions for capital expenditures | (250,000) | – | (250,000) |
| Realized (gain) loss on investments | – | (1,328,951) | (1,328,951) |
| Unrealized (gain) loss on investments | – | 638,332 | 638,332 |
| Changes in assets and liabilities: | | | |
| Accounts receivable | (117,651) | – | (117,651) |
| Prepaid expenses and other current assets | (23,727) | 3,240 | (20,487) |
| Accounts payable and accruals | 14,252 | 1,296 | 15,548 |
| Deferred revenue | 8,673 | – | 8,673 |
| Net cash provided by operating activities | (122,424) | 207,999 | 85,575 |
| Cash flows from investing activities | | | |
| Purchase of investments | – | (10,606,428) | (10,606,428) |
| Proceeds from sales of investments | – | 9,760,756 | 9,760,756 |
| Purchase of property and equipment: | (23,878) | – | (23,878) |
| Net cash used in investing activities | (23,878) | (845,672) | (869,550) |
| Cash flows from financing activities | | | |
| Contributions for capital expenditures | 250,000 | – | 250,000 |
| Net cash provided by financing activities | 250,000 | – | 250,000 |
| Net change in cash and cash equivalents, and cash and cash equivalents, restricted | 103,698 | (637,673) | (533,975) |
| Beginning of year cash and cash equivalents, and cash and cash equivalents, restricted | 931,388 | 1,212,872 | 2,144,260 |
| End of year cash and cash equivalents, and cash and cash equivalents, restricted | \$ 1,035,086 | \$ 575,199 | \$ 1,610,285 |

See accompanying notes to combined financial statements.

Helping Hand Home for Children, Inc.
and Helping Hand Home for Children Foundation

Notes to Combined Financial Statements

As of and for the years ended June 30, 2019 and 2018

1. Organization and Purpose

Helping Hand Home for Children, Inc. (the “Home”) is a private nonprofit corporation formed in 1893 under the laws of the State of Texas, and governed by the membership of the Helping Hand Society. The Home provides a place to heal for abused, neglected and abandoned children. The Home provides a residential treatment center, foster care program, adoption services, and a charter school for emotionally disturbed children, and advocates for greater public support of early prevention, intervention, and treatment. The Home is the oldest continuously operating residential childcare agency in Travis County, a priceless resource kept strong and viable through community support.

The Residential Treatment Center focuses on supplanting the self-protective beliefs and socially inappropriate behaviors of the children with prosocial beliefs and collaborative behaviors. The children reside at the home and all of their needs are met through the Home. The UT Charter School (the “School”), in partnership with the University of Texas, is located on the campus of the Home and enhances the treatment plans of the children for their academic and behavioral needs. The School helps the most socially and academically challenged children by equipping them with the skills they need to succeed in the public school system.

Funding is provided primarily by state and local governments and contributions from the general public.

Helping Hand Home for Children Foundation (the “Foundation”) was incorporated in 1994 for the purpose of receiving and maintaining a fund or funds of real or personal property, or both, for the Home. The Foundation is organized and operated exclusively for the benefit of, and to further the activities and purpose of, the Home. The Foundation holds and invests funds given to it for the benefit of the Home.

Helping Hand Home for Children, Inc.
and Helping Hand Home for Children Foundation

Notes to Combined Financial Statements (continued)

2. Summary of Significant Accounting Policies

Basis of Accounting

The combined financial statements of Helping Hand Home for Children, Inc. and Helping Hand Home for Children Foundation (collectively, “Helping Hand” or the “Organization”) have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets, revenues and expenses, and gains and losses are classified based on the existence or absence of donor-imposed restrictions.

The combined financial statements are presented in accordance with Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) Topic 958-205, *Not-for-Profit Entities Presentation of Financial Statements*, which requires Helping Hand to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restriction and net assets with donor restriction. In addition, Helping Hand is required to present the costs of providing various programs and other activities on a functional basis in the combined statements of activities. Costs are allocated between supporting services or the appropriate program service based on evaluations of the related benefits. Supporting service expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of Helping Hand.

Use of Estimates

The preparation of combined financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the 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 revenues and expenses during the reporting period. On an ongoing basis, Helping Hand evaluates its estimates, including those related to the useful lives of property and equipment, among others. Helping Hand bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results could differ from the estimates made by management with respect to these items and other items that require management’s estimates.

Helping Hand Home for Children, Inc.
and Helping Hand Home for Children Foundation

Notes to Combined Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents

Helping Hand considers all highly liquid investments acquired with an original maturity of three months or less at the date of purchase to be cash equivalents. Cash equivalents are stated at cost, which approximates market value, because of the short maturity of these instruments.

Cash and Cash Equivalents, Restricted

Cash and cash equivalents, restricted, consist of highly liquid investments acquired with an original maturity of three months or less at the date of purchase to be cash equivalents. Cash equivalents are stated at cost, which approximates market value, because of the short maturity of these instruments. The Organization has received restricted contributions for the expansion of its East Campus. The unexpended portion of such contributions are classified as “Cash and cash equivalents, restricted” in the accompanying combined statements of financial position.

Concentration of Risk

Financial instruments that potentially subject Helping Hand to concentrations of risk consist of cash and cash equivalents, accounts receivable, and investments. Helping Hand maintains its cash and cash equivalent balances in highly rated financial institutions, which at times may exceed federally insured limits. Periodic excess deposits are due primarily to the timing of contributions and grant collections. Helping Hand has not experienced any loss relating to cash and cash equivalents in these accounts.

The Foundation has significant investments in money market funds, stocks, and bonds and is therefore subject to risk. Investments are made by investment managers engaged by the Foundation and are monitored by the Foundation’s Board. Though the market value of investments is subject to fluctuations based on market activity, management believes the investment policy is prudent for the long-term welfare of the Home.

Investment balances are subject to the following risks: 15% of the portfolio is in equity mutual funds and fixed-income mutual funds that are considered international.

Helping Hand Home for Children, Inc.
and Helping Hand Home for Children Foundation

Notes to Combined Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Funding sources representing more than 10% of Helping Hand's total accounts receivable and revenue at June 30, 2019 and for the year then ended are as follows:

| | <u>Accounts Receivable</u> | <u>Revenue</u> |
|----------|----------------------------|----------------|
| Source A | 66% | 33% |
| Source B | 12% | 2% |
| Source C | -% | 27% |

Additionally, two fundraising events represent 97% of Helping Hand's fundraising revenue for the year ended June 30, 2019.

Loss of these funding sources could have a material adverse impact on Helping Hand's financial position and results of operations.

Accounts Receivable

Accounts receivable are recorded at net realizable value. The Home continuously assesses the collectability of outstanding balances. In estimating this allowance, the Home considers factors such as: historical collection experience, age of the receivable balance, both individually and in the aggregate, and general economic conditions that may affect an entity's ability to pay. At June 30, 2019 and 2018, the Home did not provide for an allowance for doubtful accounts, as all amounts outstanding were deemed collectible. If amounts become uncollectible, they will be charged to expense when that determination is made.

Investments

The Foundation has adopted the provisions of ASC 320, *Investments-Debt and Equity*. Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values based on quoted prices in active markets in the combined statements of financial position. All interest, dividends, and realized and unrealized gains and losses are reported in the combined statements of activities as an increase or decrease in net assets without donor restrictions unless use is temporarily or permanently restricted by explicit donor stipulations or by law. Any investment received as a gift is recorded at the fair value on the date of receipt.

Helping Hand Home for Children, Inc.
and Helping Hand Home for Children Foundation

Notes to Combined Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Property and Equipment

Property and equipment are carried at cost or, if donated, at the estimated fair market value at the date of the donation less accumulated depreciation. Depreciation is computed utilizing the straight-line method over the estimated useful lives of the related assets. When depreciable assets are sold or retired, the related cost and accumulated depreciation are removed from the accounts. Any gains or losses are included in the Home's statements of activities. Major additions and betterments with a cost greater than or equal to \$5,000 and a useful life greater than one year are capitalized. Maintenance and repairs which do not materially improve or extend the lives of the respective assets are charged to expense as incurred.

Fair Value of Financial Instruments

The Foundation follows ASC 820, *Fair Value Measurements and Disclosures*. Those provisions relate to the Foundation's financial assets and liabilities carried at fair value and the Foundation's fair value disclosures related to financial assets and liabilities. The Foundation groups its assets and liabilities measured at fair value in a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include: *Level 1*, defined as observable inputs such as quoted prices in active markets, with valuations obtained from readily available pricing sources for market transactions involving identical assets or liabilities; *Level 2*, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable, such as quoted prices for similar assets or liabilities; quoted prices in market that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities; and *Level 3*, defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

The level of the fair value hierarchy in which the fair value measurement falls is determined by the lowest level input that is significant to the fair value measurement.

Helping Hand Home for Children, Inc.
and Helping Hand Home for Children Foundation

Notes to Combined Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

The Foundation's financial instruments consist principally of common stocks, mutual funds, corporate bonds, and government bonds. As shown in Note 5, these investments are categorized as Level 1 as they are valued at the closing price reported on the active market on which the individual securities are traded. The valuation may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Foundation believes that its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The Foundation recognizes transfers between levels at the end of the reporting period as if the transfers occurred on the last day of the reporting period. There were no transfers during the years ended June 30, 2019 or 2018.

Recognition of Donor Restrictions

Unconditional promises to give are recognized as revenues or gains in the period received, and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Helping Hand considers all contributions (unconditional promises to give) to be contributions without donor restrictions unless the restriction is a donor-imposed stipulation specifying a use for the contribution that is more specific than the broad limits resulting from the nature and purpose of the organization and its continuing programs. Contributions without donor restriction are recorded as an increase in net assets without donor restrictions available in the period in which the notice of the unconditional promise to give is received.

Contributions or grants which result in new and nonrecurring programs as well as contributions received as the result of a capital campaign for the acquisition, construction or rehabilitation of property and equipment are considered contributions with donor restrictions.

Contributions or grants that contain a donor-imposed stipulation where the contributions cannot be used until a future period are recorded as time restricted contributions, which are recorded as increases in net assets with donor restriction in the period in which the notice of the grant award is received.

Helping Hand Home for Children, Inc.
and Helping Hand Home for Children Foundation

Notes to Combined Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Net assets with donor restrictions are reclassified to net assets without donor restriction in the period in which the use restriction has been met or the time restriction has lapsed. Contributions of property and equipment are classified as donor-restricted and are released from restriction when placed in service.

Contributions that contain donor-imposed stipulations that permanently restrict the entity's ability to use the funds are classified as contributions with donor restrictions.

Revenue Recognition

Fees for services provided from federal, state, and local governments are considered to be exchange transactions and are recognized as revenue as services are provided. The Home earns revenue on state contracts monthly that is based on the number of children served. The Home receives contributions from private donors. In addition, the Home receives revenue related to two significant fundraising events. The Home records tickets purchased by event attendees in advance of the event as deferred revenue, and recognizes the revenue on the date of the respective event.

Allocation of Common Costs

The Home allocates common costs among program services, management and general, and fundraising by a study of the Home's activities at the start of each grant or contract. The resulting allocations are reviewed periodically, and the allocations are revised, if necessary, to reflect changes in activities of the Home.

Helping Hand Home for Children, Inc.
and Helping Hand Home for Children Foundation

Notes to Combined Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Income Taxes

The Home and the Foundation are exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (“IRC”). Additionally, the Home and the Foundation are public charities under the IRC Sections 509(a)(1) and 170(b)(1)(A)(vi). Therefore, no provision for income taxes is made in the accompanying combined financial statements.

Helping Hand evaluates uncertain tax positions, if any exist, under ASC Topic 740, *Income Taxes*. Helping Hand accounts for uncertainty of income taxes based on a “more-likely-than-not” threshold for the recognition and de-recognition of tax positions, which includes the accounting for interest and penalties relating to tax positions. Helping Hand does not have any unrecognized tax benefits resulting from its tax positions at June 30, 2019 or 2018.

Helping Hand recognizes interest and penalties related to unrecognized tax benefits as a component of income tax expense. No such interest or penalties were recognized during the periods presented. Helping Hand had no accruals for interest and penalties at June 30, 2019 or 2018.

Reclassifications

Certain prior year balances have been reclassified to conform to current year presentation.

Recent Accounting Pronouncements

In May 2014, the FASB issued Accounting Standards Update (“ASU”) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This ASU will supersede the revenue recognition requirements in Topic 605, Revenue Recognition, and most industry-specific guidance, and creates guidance for when revenue should be recognized from the exchange of goods or services. For private companies, this standard is effective for annual reporting periods beginning after December 15, 2018. A nonpublic entity may elect to apply the guidance in this ASU early with certain restrictions. Management is currently evaluating the effect of these provisions on Helping Hand’s combined financial position and results of operations.

Helping Hand Home for Children, Inc.
and Helping Hand Home for Children Foundation

Notes to Combined Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

In August 2016, the FASB issued ASU No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, which changes how a not-for-profit organization classifies its net assets, as well as the information it presents in financial statements and notes about its liquidity, financial performance, and cash flows. The ASU requires amended presentation and disclosures to help not-for-profits provide more relevant information about their resources (and the changes in those resources) to donors, grantors, creditors, and other users. The guidance is effective for annual financial statements issued for fiscal years beginning after December 15, 2017. Management adopted these provisions during the year ended June 30, 2019. The effect of this change was to combine permanently and temporarily restricted net assets as of June 30, 2019 and 2018 into a single net asset class, net assets with donor restrictions; release in-service restricted fixed assets as of June 30, 2019; net investment management fees with investment income; and include additional required disclosures.

In August 2016, the FASB issued ASU No. 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments — a consensus of the Emerging Issues Task Force*. This standard promotes consistency in the presentation of certain items on the Statement of Cash Flows. In November 2016 the FASB issued ASU No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash (a consensus of the FASB Emerging Issues Task Force)*. This standard clarifies restricted cash and restricted cash equivalents should be presented in the statement of cash flows. These new standards are effective for annual periods beginning after December 15, 2018. Early adoption is permitted. Management does not expect this provision to have effect on Helping Hand's financial statement presentation.

Helping Hand Home for Children, Inc.
and Helping Hand Home for Children Foundation

Notes to Combined Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

In June 2018, the FASB issued ASU No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which clarifies how entities will determine whether to account for a transfer of assets as an exchange transaction or a contribution and how they will determine whether a contribution is conditional. While accounting for contributions primarily affects not-for-profit entities, the clarified guidance applies to all entities (including business entities) that receive or make contributions, except for certain transactions such as transfers of assets that business entities receive from government entities. For private entities in which the entity serves as the resource recipient, this standard is effective for annual reporting periods beginning after December 15, 2018. For private entities in which the entity serves as the resource provider, this standard is effective for annual reporting periods beginning after December 15, 2019. Early adoption is permitted. Management is currently evaluating the effect of these provisions on Helping Hand's financial position and results of operations.

Subsequent Events

Subsequent events have been evaluated through October 23, 2019, which represents the date the financial statements were available to be issued, and no events have occurred through that date that would impact the financial statements.

3. Property and Equipment

Property and equipment consist of the following:

| | June 30, | |
|--|-----------------|--------------|
| | 2019 | 2018 |
| Land | \$ 659,380 | \$ 659,380 |
| Building and equipment | 4,543,517 | 4,503,345 |
| Vehicles | 130,492 | 120,578 |
| East Campus Expansion work in progress | 58,785 | – |
| | 5,392,174 | 5,283,303 |
| Less: accumulated depreciation | (2,701,122) | (2,569,334) |
| Property and equipment, net | \$ 2,691,052 | \$ 2,713,969 |

Helping Hand Home for Children, Inc.
and Helping Hand Home for Children Foundation

Notes to Combined Financial Statements (continued)

3. Property and Equipment (continued)

The estimated useful lives are three to forty years for building and equipment, and five years for vehicles. Depreciation relating to the Home's property and equipment for the years ended June 30, 2019 and 2018 was \$154,439 and \$163,398, respectively.

The Organization is expanding its East Campus, and expects to complete construction in 2021. As of June 30, 2019, the Organization incurred and capitalized in "Construction in progress" \$58,785. The estimated costs to be incurred in future years to complete construction of the East Campus are approximately \$14,650,000.

4. Liquidity and Availability of Resources

The Home's working capital and cash flows have seasonal variations during the year attributable to receipts from fundraising events and concentration of donations near calendar year end. To manage liquidity, the Home maintains at least \$250,000 in a money market account with a commercial bank that may be drawn upon as needed during the year to manage cash flow and then repaid in full after collections of events or donations. In addition, the Home can request funds from our Foundation which has assets in excess of \$10 million.

Helping Hand Home for Children, Inc.
and Helping Hand Home for Children Foundation

Notes to Combined Financial Statements (continued)

4. Liquidity and Availability of Resources (continued)

The following reflects the Organization's financial assets as of the balance sheet date, reduced by amounts not available for general use within one year because of contractual or donor-imposed restrictions or internal designations. Amounts not available include board designated reserve set aside for operating and other reserves that could be drawn upon if the board of directors approves that action.

| | As of June 30, 2019 |
|---|------------------------|
| Current financial assets | |
| Cash and equivalents | \$ 1,067,209 |
| Cash and equivalents, restricted | 3,229,083 |
| Accounts receivable, net | 570,677 |
| | 4,866,969 |
| Less resources unavailable for general operations within one year due to donor-imposed time or purpose restriction: | |
| East Campus Expansion | \$ (3,233,749) |
| Grants | (198,599) |
| Programs and other | (49,961) |
| | (3,482,309) |
| Financial assets available to meet cash needs for general expenditures within one year | \$ 1,384,660 |

Helping Hand Home for Children, Inc.
and Helping Hand Home for Children Foundation

Notes to Combined Financial Statements (continued)

5. Investments

The Foundation's investments at June 30, 2019 are as follows:

| | Cost | Market Value* |
|--|---------------------|----------------------|
| Common stock | \$ 5,590,293 | \$ 6,636,410 |
| Mutual funds | 1,826,724 | 1,810,834 |
| Corporate bonds | 558,921 | 556,369 |
| Government bonds | 445,690 | 445,053 |
| Mutual funds – alternative investments | 747,000 | 724,024 |
| Mutual funds – real assets | 608,304 | 656,758 |
| | \$ 9,776,932 | \$10,829,448 |

The Foundation's investments at June 30, 2018 are as follows:

| | Cost | Market Value* |
|--|---------------------|----------------------|
| Common stock | \$ 5,231,019 | \$ 6,093,485 |
| Mutual funds | 745,000 | 715,309 |
| Corporate bonds | 1,082,920 | 1,066,789 |
| Government bonds | 551,317 | 545,163 |
| Mutual funds – alternative investments | 897,000 | 889,473 |
| Mutual funds – real assets | 710,118 | 747,715 |
| | \$ 9,217,374 | \$ 10,057,934 |

*Within the fair value hierarchy, the Foundation's assets and liabilities are categorized as Level 1 as they are valued at the closing price reported on the active market on which the individual securities are traded.

The Foundation invests in mutual funds with various investment strategies. Mutual funds – alternative investments are publicly traded and hold alternative investments, primarily long and short positions. Mutual funds – real assets are publicly traded and hold investments in real assets.

Helping Hand Home for Children, Inc.
and Helping Hand Home for Children Foundation

Notes to Combined Financial Statements (continued)

5. Investments (continued)

The Foundation's investment returns for the years ended June 30, 2019 and 2018 are as follows:

| | 2019 | 2018 |
|--------------------------------|-------------------|-------------------|
| Interest and dividend income | \$ 455,361 | \$ 196,588 |
| Realized gain | 239,500 | 1,328,951 |
| Unrealized gain (loss) | (81,148) | (638,332) |
| Investment management expenses | (64,379) | (55,618) |
| | \$ 549,334 | \$ 831,589 |

6. Commitments and Contingencies

The Home is funded by grants and contracts that are subject to review and audit by the grantor agencies. These grants and contracts have certain compliance requirements and, should audits by the grantor agencies disclose any areas of substantial noncompliance, the Home may be required to refund any disallowed costs.

7. Net Assets with Donor Restrictions

Net assets with donor restrictions are available for the following purposes as of June 30, 2019 and 2018:

| | 2019 | 2018 |
|---|--------------------|-------------------|
| Home: | | |
| Grants specified for program services | \$ 198,599 | \$ 205,586 |
| Gifts specified for program services | 40,275 | 395,488 |
| Capital Improvements | 3,233,748 | — |
| Benevolent fund – society members | 9,687 | 4,317 |
| Total Home net assets with donor restrictions | 3,482,309 | 605,391 |
| Foundation | | |
| Endowment Fund | 127,626 | 72,626 |
| Endowment Earnings for Home | 5,589 | 1,893 |
| Total Foundation net assets with donor restrictions | 133,215 | 74,519 |
| Total net assets with donor restrictions | \$3,615,524 | \$ 679,910 |

Helping Hand Home for Children, Inc.
and Helping Hand Home for Children Foundation

Notes to Combined Financial Statements (continued)

8. Board Designated Net Assets

The Foundation's Board designated the Foundation's net assets without donor restrictions as follows as of June 30, 2019 and 2018. The Board monitors the balance of the net assets of the Foundation and with the approval of the Home's Board may change the designation at its discretion.

| | <u>2019</u> | <u>2018</u> |
|---------------------------|----------------------|---------------------|
| Reserve Fund | \$ 3,407,921 | \$ 3,402,332 |
| Home Fund | 6,784,202 | 6,274,229 |
| Capital Improvements Fund | 818,522 | 880,757 |
| | <u>\$ 11,010,645</u> | <u>\$10,577,318</u> |

9. Endowments

The Foundation holds a true-donor restricted endowment, which is classified according to donor's restrictions.

The Foundation has interpreted the Texas Uniform Prudent Management of Institutional Funds Act ("TUPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the true-donor restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment by donors, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the true-donor restricted endowments that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by TUPMIFA.

Helping Hand Home for Children, Inc.
and Helping Hand Home for Children Foundation

Notes to Combined Financial Statements (continued)

9. Endowments (continued)

Changes in endowment net assets for the years ended June 30, 2019 and 2018 were as follows:

| | <u>June 30, 2019</u> | <u>June 30, 2018</u> |
|---|----------------------|----------------------|
| Endowment net assets, beginning of year | \$ 72,626 | \$ 15,000 |
| Contributions | 55,000 | 57,626 |
| Endowment net assets, end of year | <u>\$ 127,626</u> | <u>\$ 72,626</u> |

10. Donated Assets and Services

The Home receives various types of in-kind contributions. In-kind contributions are recognized at fair value when received and are reflected in the combined financial statements as in-kind support, which is offset by like amounts included in expenses. Contributed services are recognized at fair value if the service (a) creates or enhances long-lived assets or (b) requires specialized skills that are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. The Home received \$99,615 and \$112,279 in contributed assets and recognized \$276,355 and \$253,183 in contributed services for the years ended June 30, 2019 and 2018, respectively. In addition, volunteers donated hours to the Home's program and support services. These contributed services are not reflected in the combined financial statements as these services do not meet criteria for recognition.

11. Retirement Plan

The Home established a pension plan in 1991, which was later converted to a 401(k) retirement plan (the "Plan") for the benefit of employees. The Plan allows for bi-weekly contributions through payroll deductions. Individual employee contributions vary. The Home makes discretionary contributions to the Plan determined annually by the Board of Directors. The Home's contribution for the years ended June 30, 2019 and 2018 was \$147,258 and \$42,123, respectively.