

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, 2020 and 2019
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, 2020 and 2019, 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, 2020 and 2019, 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.

Emphasis of Matter

On March 11, 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. The ultimate financial impact and duration of these events cannot be reasonably estimated at this time. Our opinion is not modified with respect to this matter.

Haltzman Partners, LLP

Austin, Texas
October 29, 2020

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

Combined Statement of Financial Position

	June 30, 2020		
	Helping Hand Home	Foundation	Total
Assets			
Current assets:			
Cash and cash equivalents	\$ 2,409,082	\$ 586,960	\$ 2,996,042
Cash and cash equivalents, restricted	5,457,748	–	5,457,748
Investments	–	9,754,791	9,754,791
Accounts receivable	540,553	–	540,553
Capital campaign pledges receivable, current	540,006	–	540,006
Prepaid expenses and other current assets	48,097	4,200	52,297
Total current assets	8,995,486	10,345,951	19,341,437
Capital campaign pledges receivable, net of current	1,153,677	–	1,153,677
Property and equipment, net	3,171,859	–	3,171,859
Total assets	\$ 13,321,022	\$ 10,345,951	\$ 23,666,973
Liabilities and net assets			
Current liabilities:			
Accounts payable	\$ 59,450	\$ –	\$ 59,450
Accrued liabilities	495,976	1,378	497,354
Deferred revenues	507,101	–	507,101
Total current liabilities	1,062,527	1,378	1,063,905
Long-term liabilities:			
Loan payable	1,089,100	–	1,089,100
Total long-term liabilities	1,089,100	–	1,089,100
Total liabilities	2,151,627	1,378	2,153,005
Net assets:			
Without Donor Restrictions	3,155,899	10,211,471	13,367,370
With Donor Restrictions	8,013,496	133,102	8,146,598
Total net assets	11,169,395	10,344,573	21,513,968
Total liabilities and net assets	\$ 13,321,022	\$ 10,345,951	\$ 23,666,973

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, 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:			
Net assets without donor restrictions	2,948,604	11,010,645	13,959,249
Net assets 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 Activities and Changes in Net Assets

	Year ended June 30, 2020		
	Helping Hand Home	Foundation	Total
Changes in Net Assets without Donor Restrictions			
Public support and revenue			
Program revenue	\$ 3,918,796	\$ —	\$ 3,918,796
Contributions and public support	1,147,735	86,453	1,234,188
Fundraising events	2,770,449	—	2,770,449
In-kind support	308,525	—	308,525
Other revenue	7,807	77	7,884
Investment income	4,055	19,207	23,262
Total public support and revenue	8,157,367	105,737	8,263,104
Contributions from Foundation to Home	—	(872,021)	(872,021)
Expenses paid by Foundation to Home	18,000	(18,000)	—
Net assets released from restrictions			
Restrictions satisfied by payments	1,483,285	—	1,483,285
Total public support, revenue, and net assets released from restrictions	9,658,652	(784,284)	8,874,368
Expenses			
Program services			
Residential Treatment Center	5,613,535	—	5,613,535
Foster Care	1,314,335	—	1,314,335
UT Charter School	369,833	—	369,833
East Campus Expansion	194,055	—	194,055
Total program services	7,491,758	—	7,491,758
Supporting services			
Management and general	948,656	14,890	963,546
Fundraising	1,010,943	—	1,010,943
Total supporting services	1,959,599	14,890	1,974,489
Total expenses	9,451,357	14,890	9,466,247
Change in net assets without donor restrictions	\$ 207,295	\$ (799,174)	\$ (591,879)
Net assets without donor restrictions at beginning of year	\$ 2,948,604	\$ 11,010,645	\$ 13,959,249
Net assets without donor restrictions at end of year	\$ 3,155,899	\$ 10,211,471	\$ 13,367,370

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, 2020		
	Helping Hand Home	Foundation	Total
Changes in Net Assets with Donor Restrictions			
Public support and revenue			
Contributions and public support	\$ 59,875	\$ —	\$ 59,875
Grants and contracts	1,234,932	—	1,234,932
East Campus Expansion	3,809,201	—	3,809,201
Investment income (loss)	38,443	(113)	38,330
Total public support and revenue	5,142,451	(113)	5,142,338
Contributions from Foundation to Home	872,021	—	872,021
Net assets released from restrictions			
Restrictions satisfied by payments	(1,483,285)	—	(1,483,285)
Change in net assets with donor restriction	\$ 4,531,187	\$ (113)	\$ 4,531,074
Net assets with donor restrictions at beginning of year	\$ 3,482,309	\$ 133,215	\$ 3,615,524
Net assets with donor restrictions at end of year	\$ 8,013,496	\$ 133,102	\$ 8,146,598

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 Campus 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 Functional Expenses

For the year ended June 30, 2020

	Residential Treatment Center	Program Services			Total Program Services	Supporting Services			Total
		Foster Care	UT Charter School	East Campus Expansion		Management and General	Fundraising	Total Supporting Services	
Expenses									
Salaries, benefits, and contract labor	\$ 4,480,472	\$ 639,599	\$ 128,631	\$ –	\$ 5,248,702	\$ 605,575	\$ 387,579	\$ 993,154	\$ 6,241,856
Direct care costs	449,682	582,202	221,756	–	1,253,640	–	–	–	1,253,640
Operations costs	60,887	10,054	2,062	194,055	267,058	152,399	574,941	727,340	994,398
Educational services costs	11,862	–	700	–	12,562	–	–	–	12,562
Administrative expenses	21,560	30,792	–	–	52,352	181,415	16,678	198,093	250,445
Payroll taxes	297,228	39,876	8,827	–	345,931	–	24,865	24,865	370,796
Facility costs	120,288	4,927	7,698	–	132,913	6,168	5,106	11,274	144,187
Workers compensation expense	8,541	726	159	–	9,426	127	150	277	9,703
Transportation costs	24,987	1,287	–	–	26,274	–	–	–	26,274
Total before depreciation	5,475,507	1,309,463	369,833	194,055	7,348,858	945,684	1,009,319	1,955,003	9,303,861
Depreciation	138,028	4,872	–	–	142,900	17,862	1,624	19,486	162,386
Total expenses	\$ 5,613,535	\$ 1,314,335	\$ 369,833	\$ 194,055	\$ 7,491,758	\$ 963,546	\$ 1,010,943	\$ 1,974,489	\$ 9,466,247

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

	Residential Treatment Center	Program Services				Supporting Services			Total
		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 Cash Flows

	Year ended June 30, 2020		
	Helping Hand Home	Foundation	Total
Cash flows from operating activities			
Change in net assets	\$ 4,738,482	\$ (799,287)	\$ 3,939,195
Adjustments to reconcile change in net assets to cash used in operating activities:			
Depreciation	162,386	–	162,386
Receipt of contributed securities	(251,580)	–	(251,580)
Contributions for capital expenditures	(4,262,168)	–	(4,262,168)
Realized (gain) loss on investments	–	(39,811)	(39,811)
Unrealized (gain) loss on investments	–	326,820	326,820
Gain on sale of property and equipment	(7,069)	–	(7,069)
Changes in assets and liabilities:			
Accounts receivable	(1,663,559)	–	(1,663,559)
Prepaid expenses and other current assets	1,669	(3,350)	(1,681)
Accounts payable and accruals	139,608	1,378	140,986
Deferred revenue	(253,955)	–	(253,955)
Net cash used in operating activities	(1,396,186)	(514,250)	(1,910,436)
Cash flows from investing activities			
Purchase of investments	–	(1,809,127)	(1,809,127)
Proceeds from sales of investments	–	2,596,775	2,596,775
Proceeds from sale of property and equipment	5,562	–	5,562
Purchase of property and equipment	(641,686)	–	(641,686)
Net cash (used in) provided by investing activities	(636,124)	787,648	151,524
Cash flows from financing activities			
Proceeds from issuance of loan payable	1,089,100	–	1,089,100
Proceeds from sale of contributed securities	251,580	–	251,580
Contributions received for capital expenditures	4,262,168	–	4,262,168
Net cash provided by financing activities	5,602,848	–	5,602,848
Net change in cash and cash equivalents, and cash and cash equivalents, restricted	3,570,538	273,398	3,843,936
Beginning of year cash and cash equivalents, and cash and cash equivalents, restricted	4,296,292	313,562	4,609,854
End of year cash and cash equivalents, and cash and cash equivalents, restricted	\$ 7,866,830	\$ 586,960	\$ 8,453,790

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

Notes to Combined Financial Statements

As of and for the years ended June 30, 2020 and 2019

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 (“U.S. GAAP”) as defined by the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”). 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 FASB 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.

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, 2020 and for the year then ended are as follows:

	<u>Accounts Receivable</u>	<u>Revenue</u>
Source A	20%	26%

Additionally, two fundraising events represent 100% of Helping Hand's fundraising revenue for the year ended June 30, 2020.

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, 2020 and 2019, 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.

Capital Campaign Pledges Receivable

Capital campaign pledges receivable consists of legally-enforceable contributions to support the construction of the East Campus Expansion that have not yet been collected. Legally enforceable capital campaign pledges, less an allowance for uncollectible amounts, are recorded in the year made unless the pledge contains a donor-imposed conditional. Capital campaign pledges expected to be collected over multiple years are discounted to present value, if the discount is material. At June 30, 2020 and 2019, 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.

Helping Hand Home for Children, Inc.
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Notes to Combined Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

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.

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.

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)

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.

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, 2020 or 2019.

Helping Hand Home for Children, Inc.
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Notes to Combined Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

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.

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.

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)

Revenue Recognition

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.

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, 2020 or 2019.

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, 2020 or 2019.

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)

Recent Accounting Pronouncements

In May 2014, the FASB issued 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. ASU No. 2020-05 was issued in June 2020 to defer the effective date of ASU 2014-09 for private companies that have not yet issued their financial statements (or made financial statements available for issuance) reflecting the adoption of ASC 606. After this deferral, this standard is effective for annual reporting periods beginning after December 15, 2019. Management is currently evaluating the effect of these provisions on the Organization's financial position and results of operations.

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. This standard has been adopted in the financial statements for the period ended June 30, 2020.

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The amendments in this update require not-for-profit entities to present contributed nonfinancial assets as a separate line item in the statement of activities and to disclose additional information about contributed nonfinancial assets to provide additional transparency about their use in the entity's programs and other activities. Retrospective application is required. The amendments in the update are effective for annual periods beginning after June 15, 2021. Early adoption is permitted. Management is currently evaluating the effect of these provisions on the Organization's 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)

Subsequent Events

Subsequent events have been evaluated through October 29, 2020, 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. Capital Campaign Pledges Receivable

Capital campaign pledges receivable are summarized as follows:

	June 30,	
	2020	2019
Expected to be collected in:		
Less than 1 year	\$ 540,006	\$ —
1-5 years	868,505	—
More than 5 years	285,172	—
	1,693,683	—

4. Property and Equipment

Property and equipment consist of the following:

	June 30,	
	2020	2019
Land	\$ 659,380	\$ 659,380
Building and equipment	4,613,389	4,543,517
Vehicles	150,388	130,492
East Campus Expansion work in progress	593,692	58,785
	6,016,849	5,392,174
Less: accumulated depreciation	(2,844,990)	(2,701,122)
Property and equipment, net	\$ 3,171,859	\$ 2,691,052

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

Notes to Combined Financial Statements (continued)

4. 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, 2020 and 2019 was \$162,386 and \$154,439, respectively.

The Organization is expanding its East Campus, and expects to complete construction in 2021. As of June 30, 2020, the Organization incurred and capitalized in "Construction in progress" \$593,692. The estimated costs to be incurred in future years to complete construction of the East Campus are approximately \$14,206,000.

5. 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, 2020 and 2019 was \$196,790 and \$147,258, respectively.

Helping Hand Home for Children, Inc.
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Notes to Combined Financial Statements (continued)

6. 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 the Foundation which has assets in excess of \$10 million.

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.

	<u>As of June 30, 2020</u>
Current financial assets	
Cash and equivalents	\$ 2,409,082
Cash and equivalents, restricted	5,457,748
Accounts receivable, net	<u>2,234,236</u>
	<u>10,101,066</u>
Less resources unavailable for general operations within one year due to donor-imposed time or purpose restriction:	
East Campus Expansion	\$ (7,759,358)
Grants	(214,847)
Programs and other	<u>(39,291)</u>
	<u>(8,013,496)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 2,087,570</u></u>

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

Notes to Combined Financial Statements (continued)

7. Investments

The Foundation's investments at June 30, 2020 are as follows:

	<u>Cost</u>	<u>Market Value*</u>
Common stock	\$ 5,323,042	\$ 6,167,151
Mutual funds	1,863,827	1,840,368
Corporate bonds	458,260	465,897
Government bonds	187,662	189,191
Mutual funds – alternative investments	747,000	733,640
Mutual funds – real assets	450,118	358,544
	<u>\$ 9,029,909</u>	<u>\$ 9,754,791</u>

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

	<u>Cost</u>	<u>Market Value*</u>
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
	<u>\$ 9,776,932</u>	<u>\$ 10,829,448</u>

*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.
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Notes to Combined Financial Statements (continued)

7. Investments (continued)

The Foundation's investment returns for the years ended June 30, 2020 and 2019 are as follows:

	2020	2019
Interest and dividend income	\$ 370,261	\$ 455,361
Realized gain	39,811	239,500
Unrealized gain (loss)	(326,820)	(81,148)
Investment management expenses	(64,158)	(64,379)
	<u>\$ 19,094</u>	<u>\$ 549,334</u>

8. Loan Payable

As part of the federal government's response to the economic impacts of COVID-19, in March 2020, the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") was enacted which, among other measures, provided for the Paycheck Protection Program (PPP) administered by the U.S. Small Business Administration. In April 2020, the Organization applied and was approved for a PPP loan in the amount of approximately \$1.1 million. This funding was received by the Organization on April 20, 2020. All or a portion of the PPP loan may qualify for forgiveness under the terms of the PPP. Amounts not qualifying for forgiveness bear interest at a rate of 1% per annum and will be repaid in monthly installments of principal and accrued interest through April 2022, at which time the loan matures and all outstanding principal and accrued interest is due.

9. 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.

In the normal course of business, the Company may become involved in various lawsuits, legal proceedings, or investigations. While the ultimate results of these matters cannot be predicted with certainty, management does not expect them to have a material adverse effect on the financial position or results of operations of the Company.

Helping Hand Home for Children, Inc.
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Notes to Combined Financial Statements (continued)

9. Commitments and Contingencies (continued)

On March 11, 2020, the World Health Organization declared a novel strain of coronavirus ("COVID-19") a "Public Health Emergency of International Concern" and characterized COVID-19 as a pandemic. On March 13, 2020, the President of the United States declared the COVID-19 pandemic a national emergency, invoking powers under the Stafford Act, the legislation that directs federal emergency disaster response. The extent of the impact of COVID-19 on the Company's operational and financial performance will depend on future developments, including the duration and spread of the outbreak, additional government restrictions, and the impact of COVID-19 on the Company's operations, all of which are highly uncertain and cannot be predicted.

10. Net Assets with Donor Restrictions

Net assets with donor restrictions are available for the following purposes as of June 30, 2020 and 2019:

	2020	2019
Home:		
Grants specified for program services	\$ 214,847	\$ 198,599
Gifts specified for program services	32,352	40,275
Capital Improvements	7,770,108	3,233,748
Benevolent fund – society members	6,939	9,687
Total Home net assets with donor restrictions	8,024,246	3,482,309
Foundation		
Endowment Fund	127,626	127,626
Endowment Earnings for Home	5,476	5,589
Total Foundation net assets with donor restrictions	133,102	133,215
Total net assets with donor restrictions	\$ 8,157,348	\$ 3,615,524

Helping Hand Home for Children, Inc.
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Notes to Combined Financial Statements (continued)

11. Board Designated Net Assets

The Foundation’s Board designated the Foundation’s net assets without donor restrictions as follows as of June 30, 2020 and 2019. 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.

	2020	2019
Reserve Fund	\$ 3,407,807	\$ 3,407,921
Home Fund	6,803,664	6,784,202
Capital Improvements Fund	–	818,522
	\$ 10,211,471	\$ 11,010,645

12. 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.

Changes in endowment net assets for the years ended June 30, 2020 and 2019 were as follows:

	June 30, 2020	June 30, 2019
Endowment net assets, beginning of year	\$ 127,626	\$ 72,626
Contributions	–	55,000
Endowment net assets, end of year	\$ 127,626	\$ 127,626

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

Notes to Combined Financial Statements (continued)

13. 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 \$99,109 and \$99,615 in contributed assets and recognized \$209,416 and \$276,355 in contributed services for the years ended June 30, 2020 and 2019, 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.