

ARIZONA HELPING HANDS, INC.

FINANCIAL STATEMENTS
Year Ended June 30, 2021

ARIZONA HELPING HANDS, INC.

Year Ended June 30, 2021

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**Audit, Tax, Management Advisory,
Forensic and Internal Control Consulting**

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the *Arizona Helping Hands, Inc.*:

Report on the Financial Statements

I have audited the accompanying financial statements of Arizona Helping Hands, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2021, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the statement of financial position of Arizona Helping Hands, Inc. as of June 30, 2021, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

I have previously audited Arizona Helping Hands, Inc.'s 2020 financial statements, and I expressed an unmodified audit opinion on those audited financial statements in my report dated October 29, 2020. In my opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Gregory Michael Coy, CPA, PLLC

Phoenix, Arizona
September 23, 2021

ARIZONA HELPING HANDS, INC.

STATEMENT OF FINANCIAL POSITION

June 30, 2021

(with comparative totals at June 30, 2020)

	<u>ASSETS</u>	
	<u>2021</u>	<u>2020</u>
CURRENT ASSETS		
Cash	2,999,282	\$ 992,990
Contributions receivable, net	42,514	87,675
Inventory	1,699,436	1,155,233
Other assets	48,246	47,224
TOTAL CURRENT ASSETS	<u>4,789,478</u>	<u>2,283,122</u>
PROPERTY AND EQUIPMENT, net	3,258,770	3,375,498
INVESTMENTS	<u>1,646,752</u>	<u>1,626,544</u>
TOTAL ASSETS	<u>\$ 9,695,000</u>	<u>\$ 7,285,164</u>
	<u>LIABILITIES AND NET ASSETS</u>	
CURRENT LIABILITIES		
Accounts payable	\$ 92,320	\$ 39,394
Other accrued liabilities	40,495	89,139
Long-term debt, current portion	-	51,688
TOTAL CURRENT LIABILITIES	<u>132,815</u>	<u>180,221</u>
LONG-TERM DEBT, NET OF CURRENT PORTION	<u>-</u>	<u>64,612</u>
TOTAL LIABILITIES	132,815	244,833
NET ASSETS		
Undesignated net assets without donor restrictions	9,178,085	5,805,647
Board designated net assets without donor restrictions	<u>381,813</u>	<u>375,195</u>
Net assets without donor restrictions	9,559,898	6,952,656
Net assets with donor restrictions	<u>2,287</u>	<u>87,675</u>
TOTAL NET ASSETS	<u>9,562,185</u>	<u>7,040,331</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 9,695,000</u>	<u>\$ 7,285,164</u>

See Accompanying Notes to Financial Statements

ARIZONA HELPING HANDS, INC.

STATEMENT OF ACTIVITIES

Year Ended June 30, 2021

(with comparative totals for the year ended June 30, 2020)

	Net assets without donor restrictions	Net assets with donor restrictions	2021	2020
SUPPORT AND REVENUE				
Donated inventory, facilities, materials and services	\$ 7,212,608	\$ -	\$ 7,212,608	\$ 2,097,775
Contributions	3,245,710	566,609	3,812,319	2,784,430
Paycheck Protection Program contribution	116,518	-	116,518	-
Rental income	30,000	-	30,000	32,000
Merchandise sales, less cost of sales of \$29,661	(11,038)	-	(11,038)	2,667
Special events	67,414	-	67,414	87,853
Investment income	4,620	-	4,620	25,226
Loss on disposal of assets	(5,477)	-	(5,477)	-
Other	5,009	-	5,009	4,530
Total support and revenue before net assets released from restrictions	10,665,364	566,609	11,231,973	5,034,481
Net assets released from restrictions	651,997	(651,997)	-	-
TOTAL SUPPORT AND REVENUE	11,317,361	(85,388)	11,231,973	5,034,481
EXPENSES				
Program services	8,339,912	-	8,339,912	4,168,498
Supporting services:				
Management and general	179,358	-	179,358	133,811
Fundraising	190,849	-	190,849	150,824
Total supporting services	370,207	-	370,207	284,635
TOTAL EXPENSES	8,710,119	-	8,710,119	4,453,133
CHANGE IN NET ASSETS	2,607,242	(85,388)	2,521,854	581,348
NET ASSETS, BEGINNING OF YEAR	6,952,656	87,675	7,040,331	6,458,983
NET ASSETS, END OF YEAR	\$ 9,559,898	\$ 2,287	\$ 9,562,185	\$ 7,040,331

See Accompanying Notes to Financial Statements

ARIZONA HELPING HANDS, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2021

(with comparative totals for the year ended June 30, 2020)

	Supporting Services			Total Expenses 2021	2020
	Program Services	Management and General	Fundraising		
Salaries and wages	\$ 487,630	\$ 94,664	\$ 74,182	\$ 168,846	\$ 622,645
Payroll taxes and benefits	93,749	18,200	14,262	32,462	94,469
	581,379	112,864	88,444	201,308	717,114
Professional fees	60,595	37,846	10,094	47,940	99,385
Toy drive	186,071	-	-	-	676,045
Birthday program	246,395	-	-	-	290,596
Foster care	6,587,072	-	-	-	2,141,769
Crisis support	16,068	-	-	-	13,964
Backpack program	366,495	-	-	-	192,291
Occupancy	41,945	7,865	2,622	10,487	52,689
Telephone and internet	9,336	502	201	703	12,241
Bank and credit card fees	-	5,170	46,531	51,701	31,879
Operating expenses	22,839	848	339	1,187	9,915
Office supplies	7,471	402	161	563	11,647
Insurance	13,175	3,843	1,228	5,071	13,884
Depreciation	163,321	7,819	2,606	10,425	116,306
Printing and postage	2,726	147	59	206	8,478
Advertising, marketing and promotions	30,798	1,966	32,764	34,730	43,604
Travel and auto	4,226	86	-	86	8,370
Bad debt	-	-	5,800	5,800	-
Interest	-	-	-	-	12,956
	\$ 8,339,912	\$ 179,358	\$ 190,849	\$ 370,207	\$ 4,453,133

See Accompanying Notes to Financial Statements

ARIZONA HELPING HANDS, INC.**STATEMENT OF CASH FLOWS**

Year Ended June 30, 2021

(with comparative totals for the year ended June 30, 2020)

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 2,521,854	\$ 581,348
Adjustment to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	173,746	116,305
Net realized and unrealized (gain)/loss on investments	6,679	(9,127)
Gain/loss on disposal of property and equipment	5,477	-
Donation of investments	(17,314)	-
Forgiveness of Paycheck Protection Program loan	(116,300)	-
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Contributions receivable	45,161	190,466
Inventory	(544,203)	417,246
Other assets	(1,022)	(20,250)
Increase (decrease) in:		
Accounts payable	52,926	(91,809)
Accrued expenses	(48,644)	31,060
Net cash provided by (used in) operating activities	<u>2,078,360</u>	<u>1,215,239</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(9,573)	(495,883)
Proceeds from sales of investments	-	340
Purchases of property and equipment	(62,495)	(84,196)
Net cash provided by (used in) investing activities	<u>(72,068)</u>	<u>(579,739)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on long-term debt	-	(529,286)
Proceeds from long-term debt	-	116,300
Net cash provided by (used in) financing activities	<u>-</u>	<u>(412,986)</u>
NET CHANGE IN CASH	2,006,292	222,514
CASH, BEGINNING OF YEAR	<u>992,990</u>	<u>770,476</u>
CASH, END OF YEAR	<u>\$ 2,999,282</u>	<u>\$ 992,990</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid for interest	<u>\$ -</u>	<u>\$ 54,640</u>
Cash paid for income taxes	<u>\$ -</u>	<u>\$ -</u>
SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING AND FINANCING ACTIVITIES:		
Donation of investments	<u>\$ 17,314</u>	<u>\$ -</u>
Forgiveness of Paycheck Protection Program loan	<u>\$ 116,300</u>	<u>\$ -</u>

See Accompanying Notes to Financial Statements

ARIZONA HELPING HANDS, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

(with summarized comparative totals as of June 30, 2020)

(1) Organization operations and summary of significant accounting policies

Nature of operations – *Arizona Helping Hands Inc. (AHH)* was established and incorporated in 1998 in the State of Arizona. AHH's mission is to provide basic essential needs to boys and girls in foster care throughout Arizona. Programs include providing beds, cribs, clothing, diapers, personal care packages, back to school supplies, holiday toys and personalized birthday packages to thousands of boys and girls throughout the state of Arizona. AHH is primarily funded through donations of inventory items and contributions.

The significant accounting policies followed by AHH are as follows:

Basis of presentation -The financial statement presentation reports information regarding its financial position and activities according to two classes of net assets:

Net Assets Without Donor Restrictions – Amounts that are not subject to usage restrictions based on donor-imposed requirements. This class also includes assets previously restricted where restrictions have expired or been met.

Net Assets With Donor Restrictions – Assets subject to usage limitations based on donor imposed or grantor restrictions. These restrictions may be temporary or may be based on a particular use. Restrictions may be met by the passage of time or by actions of AHH. Certain restrictions may need to be maintained in perpetuity. The Organization had no restrictions required to be maintained in perpetuity.

Managements' use of estimates - The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and equivalents - Cash includes cash and, at times, cash equivalents consisting of highly liquid financial instruments purchased with original maturities of three months or less. Deposits at cash institutions are insured in limited amounts by the Federal Deposit Insurance Corporation (FDIC). From time to time, these deposits may exceed the insurance amounts provided by the FDIC.

Contributions receivable - Unconditional promises to give (pledges) are recognized as revenues in the period the promise is received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on their assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to receivables. At June 30, 2021, management has recorded an allowance for uncollectible promises to give in the amount of \$5,800. Management determined that an allowance for uncollectible promises to give was not necessary for the year ended June 30, 2020.

ARIZONA HELPING HANDS, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

(with summarized comparative totals as of June 30, 2020)

(1) Organization operations and summary of significant accounting policies (continued)

Inventories – Inventories consist primarily of donated and purchased toys, clothing, furniture, artwork, household and other items. The value of donated inventory is estimated using estimated retail or replacement values. Purchased inventory is stated at the lower of cost or market using a specific identification method.

Property and equipment and related depreciation - Purchased property and equipment is valued at cost and donated property and equipment is recorded at the fair value at the date of the gift to AHH. Maintenance and repairs are charged to operations when incurred. Improvements and renewals in excess of \$1,000 are capitalized. When property and equipment is sold or otherwise disposed of, the asset account and related accumulated depreciation account are relieved, and any gain or loss is included in operations. Donations of property and equipment are recorded as contributions at their estimated fair value at the date of the donation. Such donations are reported as increases in unrestricted net assets unless the donor has restricted the donated asset for a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions absent donor stipulations regarding how long those donated assets must be maintained. AHH reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. AHH reclassifies net assets with donor restrictions to net assets without donor restrictions at that time. Depreciation of property and equipment is computed on a straight-line basis over the following estimated useful lives:

Building and building improvements	39 years
Vehicles	5 years
Furniture, fixtures, equipment	3-5 years

Special events revenue - AHH conducts special events in which a portion of the gross proceeds paid by the participant represents payment for the direct cost of the benefits received by the participant at the event. Unless a verifiable, objective means exists to demonstrate otherwise, the fair value of meals and entertainment provided at special events is measured at the actual cost to AHH. The direct costs of the special events, which ultimately benefit the donor rather than AHH, are recorded as costs of direct donor benefits in the accompanying statement of activities.

Impairment of long-lived assets – AHH accounts for long-lived assets in accordance with the provisions of *Accounting for the Impairment of Long-Lived Assets*. This accounting standard requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying value of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. Management believes that no long-lived assets have any impairment of value.

ARIZONA HELPING HANDS, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

(with summarized comparative totals as of June 30, 2020)

(1) **Organization operations and summary of significant accounting policies (continued)**

Contributions - Contributions received are recorded as support with donor restrictions or without donor restrictions depending on the existence and/or nature of any donor restrictions. All donor-restricted support is reported as an increase in net assets with donor restrictions or without donor restrictions depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Paycheck Protection Program contribution - AHH entered into a loan through the Small Business Association Federal Paycheck Protection Program under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) with a financial institution dated April 22, 2020. The loan is forgiven for all payroll costs and other specified incurred during the 8-week period beginning on the date of the initial disbursement of the loan. The entire principal of the loan of \$116,300 and accrued interest of \$218 were forgiven on December 11, 2020. Accordingly, AHH recognized the entire amount of the loan forgiveness as a contribution during the year ended June 30, 2021.

Conditional contributions – Conditional contributions contain a donor-imposed condition that represents a barrier that must be overcome before AHH is entitled to the assets transferred or promised. Failure to overcome the barrier gives the donor a right of return of the assets it has transferred or gives the promisor a right of release from its obligation to transfer its assets. Conditional contributions are recognized as support, either with or without donor restrictions, when donor-imposed conditions are substantially met (i.e. barriers are overcome). Restrictions on conditional contributions that are met in the same reporting period as the revenue is recognized are reported in the statement of activities as support within net assets without donor restrictions. During the year ended June 30, 2021, AHH received a conditional contribution in the amount of \$100,000. AHH recognized \$40,227 of this conditional contribution during the year ended June 30, 2021, as the donor-imposed conditions were met. AHH does not have any conditional contributions for the year ended June 30, 2020.

Special events revenue – All proceeds received from special events are recorded as special events revenue in the accompanying statement of activities. The costs and any direct donor benefits related to these special events are recognized as fundraising expense in the accompanying statement of functional expenses.

Rental income – AHH subleased a portion of its facility during the years ended June 30, 2021 and 2020. AHH recognizes rental revenue from these leases in accordance with the lease terms as specified in the lease agreements with each tenant. Rent is due from each tenant monthly at the beginning of each month. These leases were terminated during 2021 and AHH does not expect to replace these leases in the future.

Exchange transaction revenue recognition - Exchange transaction revenue is measured based on a consideration specified in a contract with a customer, and excludes any sales incentives and amounts collected on behalf of third parties. AHH recognizes revenue when it satisfies a performance obligation by transferring control over a product or service to a customer. Since the amortization period for any incremental costs of obtaining any contract is one year or less, AHH has elected the practical expedient under the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 606-10-65-1. AHH has elected to apply the practical expedient allowed under FASB ASC 606-10-10-4 for applying the revenue standard to a portfolio of contracts with similar characteristics.

ARIZONA HELPING HANDS, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

(with summarized comparative totals as of June 30, 2020)

(1) **Organization operations and summary of significant accounting policies (continued)**

AHH accounts for the contracts within each portfolio as a collective group, rather than individual contracts, based on the payment pattern expected in each portfolio category and the similar nature and characteristics within each portfolio. The portfolios consist of merchandise sales. Based on historical collection trends and other analysis, management has concluded that revenue for each portfolio type would not be materially different than if accounting for revenue on a contract-by-contract basis.

Exchange transaction revenue consists of the following:

Merchandise sales – AHH sells certain merchandise to the public that is related to its mission. Performance obligations for merchandise sales are satisfied at the point in time each sale is completed. The transaction price for the merchandise sales is based upon a predetermined retail price for each item. Because the performance obligations relate to contracts with a duration of less than one year, AHH has elected to apply the exemption provided the FASB ASC 606-10-50-14(a), and is not required to disclose the aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied or partially satisfied at the end of the reporting period. AHH did not have any unsatisfied or partially satisfied performance obligations, or any contract assets or liabilities, related to merchandise sales at June 30, 2021 or 2020. Since merchandise sales are completed on a point of sales basis, there is no financing component related to these sales. Merchandise sales are recognized net of the related cost of goods sold on the accompanying statement of activities. During the year ended June 30, 2021, AHH acquired certain merchandise that was sold at substantially below its cost and recognized a net loss on merchandise sales in the amount of \$11,038.

Donated inventory, facilities, materials and services– Donated inventory, facilities, materials and services are recorded at their estimated values if they enhance AHH's nonfinancial assets or require specialized skills that AHH would normally purchase, if not provided by donation. AHH relies significantly on donations of inventory items that are utilized in its various programs. AHH received donated inventory in the estimated amounts of approximately \$7,200,000 and approximately \$2,100,000, for the years ended June 30, 2021 and 2020, respectively. AHH also purchased inventory items with a value of approximately \$740,000 and \$715,000, during the year ended June 30, 2021 and 2020, respectively. During the year ended June 30, 2021 and 2020, AHH distributed approximately \$7,400,000 and approximately \$3,300,000 of inventory items, respectively, as part of its program activities. Donated inventory contributions are approximately 64% and 42% of total revenue for the year ended June 30, 2021 and 2020, respectively. Distributions of inventory items are approximately 85% and 74% of total expenses for the year ended June 30, 2021 and 2020, respectively.

During the year ended June 30, 2021, AHH received donated storage space from a local public library in the estimated amount of \$8,400.

AHH also received other non-inventory donated materials with an estimated value of \$12,336 and \$8,522 and received donated services, used primarily for administrative purposes, with an estimated amount of \$1,403 and \$5,500 during the years ended June 30, 2021 and 2020, respectively.

Volunteers donate a significant amount of time to AHH's program services and its fundraising activities. No amounts have been reflected in the financial statements for these services, since they did not meet the recognition requirements under generally accepted accounting principles.

ARIZONA HELPING HANDS, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

(with summarized comparative totals as of June 30, 2020)

(1) **Organization operations and summary of significant accounting policies (continued)**

Functional allocation of expenses - The costs of providing programs and other activities have been presented on a functional basis in the statements of activities and functional expenses. Directly identifiable expenses are charged to programs and supporting services. Certain costs have been allocated among the program and supporting services benefited based on management's estimate of time and effort devoted to each activity.

Income tax status – AHH is organized as a non-profit corporation and has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3) and has been determined not to be a private foundation under Sections 509(a)(1) and 170(b)(1)(A)(vi). Accordingly, contributions to AHH qualify for the charitable contribution deduction under Section 170. AHH is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, AHH is generally subject to income tax on net income that is derived from business activities that are unrelated to its exempt purpose. Management has determined AHH has no taxable unrelated business income related to AHH's activities and it has not filed the Exempt Organization Business Income Tax Return (IRS Form 990-T), or its Arizona equivalent, Form 99-T. The tax years ended 2018, 2019, and 2020 are still open to audit for both federal and state purposes. Management believes that it has appropriate support for any income tax positions taken, and, as such, does not have any uncertain tax positions that are material to the financial statements. AHH would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred.

Board designated net assets – The board designated net assets consist of an operating reserve.

Prior year summarized information - The financial statements include certain prior year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with the financial statements for the year ended June 30, 2020, from which the summarized information was derived.

COVID-19 pandemic - At the time of this report's release, citizens and the economies of the United States and other countries have been impacted by the coronavirus (COVID-19) pandemic. The World Health Organization declared a Public Health Emergency on January 30, 2020. The evolution of the virus, the extent of its economic impact and the results of steps taken and yet to be taken by governments and financial institutions are unknown. Governments, businesses and non-profit organizations have faced supply chain disruptions, labor shortages, revenue declines, an increase in bad debts, reduced cash flow, difficulties meeting loan covenants, goodwill and inventory impairment, credit difficulties, and other financial implications. Furthermore, the financial markets have experienced significant levels of volatility as a result of the pandemic. The significance and the duration of the pandemic's financial impact are indeterminable.

Subsequent events - AHH evaluated subsequent events after the statement of financial position date of June 30, 2021 through September 23, 2021, which was the date AHH's financial statements were available to be issued. No conditions were noted which did not exist as of June 30, 2021, but arose subsequent to that date.

ARIZONA HELPING HANDS, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

(with summarized comparative totals as of June 30, 2020)

(2) Liquidity and availability of financial assets

AHH regularly monitors liquidity required to meet its operating needs and other contractual commitments. AHH has various sources of liquidity at its disposal, including cash, investments and current contributions receivable. AHH structures its financial assets to be available to meet general expenditures, liabilities and other obligations as they come due. AHH manages its liquid resources by depositing excess cash in certificate of deposits and interest-bearing cash accounts. In addition to financial assets available to meet general expenditures over the next 12 months, AHH prepares and operates within an annual budget.

Financial assets available to meet general expenditures within one year:

	2021	2020
Cash & cash equivalents	\$ 2,999,282	\$ 992,990
Contributions receivable due within one year	42,514	87,675
Investments	1,646,752	1,626,544
Less: Board designated net assets	(381,813)	(375,195)
Less: Net assets with donor restrictions	<u>(2,287)</u>	<u>(87,675)</u>
Financial assets available to meet general expenditures within one year	<u>\$ 4,304,448</u>	<u>\$ 2,244,339</u>

(3) Contributions receivable

Contributions receivable consist of:	2021	2020
Contributions due in less than 1 year	\$ 48,314	\$ 87,675
Contributions due in 1 to 5 years	-	-
Gross contributions receivable	48,314	87,675
Allowance	(5,800)	-
Discount	<u>-</u>	<u>-</u>
Total contributions receivable, net	<u>\$ 42,514</u>	<u>\$ 87,675</u>

Contributions receivable are considered by management to be collectible in full and, accordingly, an allowance for doubtful accounts is not considered necessary.

(4) Investments and fair value measurements

AHH reports investments in equity securities (including other ownership interests, such as partnerships, unincorporated joint ventures, and limited liability companies) at fair value. The fair value of equity securities with readily determinable fair values is based on quoted market prices in active markets. Equity investments that do not have readily determinable fair values are re-measured at fair value either upon the occurrence of an observable price change or upon identification of impairment. Investments in limited liability companies and partnerships are recorded at estimated fair value (using the value of the interest in partner's or member's capital as a practical expedient) and evaluated annually for impairment.

ARIZONA HELPING HANDS, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

(with summarized comparative totals as of June 30, 2020)

(4) Investments and fair value measurements (continued)

AHH applies authoritative guidance related to *Accounting for Fair Values of Investments*. This standard defines fair value, establishes a framework for measuring fair value, and expands disclosure requirements. This standard defines fair value as the price that would be received to sell an asset or paid to transfer a liability (an “exit price”) on the measurement date in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants (with no compulsion to buy or sell). AHH has set up a valuation framework that provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are as follows:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability (i.e., interest rates, yield curves, etc.);
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Fair value of assets at June 30, 2021 are measured as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Certificates of deposit	\$ 735,117	\$ -	\$ -	\$ 735,117
Mutual funds	502,281	-	-	502,281
Cash and cash equivalents	409,354	-	-	409,354
Total	\$ 1,646,752	\$ -	\$ -	\$ 1,646,752

Fair value of assets at June 30, 2020 are measured as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Certificates of deposit	\$ 903,089	\$ -	\$ -	\$ 903,089
Cash and cash equivalents	723,455	-	-	723,455
Total	\$ 1,626,544	\$ -	\$ -	\$ 1,626,544

ARIZONA HELPING HANDS, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

(with summarized comparative totals as of June 30, 2020)

(4) Investments and fair value measurements (continued)

For assets and liabilities measured at fair value on a recurring basis, the fair value hierarchy requires the use of observable market data when available. In instances where inputs used to measure fair value fall into different levels of the fair value hierarchy, the fair value measurement has been determined based upon the lowest level input that is significant to the fair value measurement in its entirety.

(5) Property and equipment

Property and equipment consist of:	<u>2021</u>	<u>2020</u>
Cost or donated value:		
Land	\$ 720,000	\$ 720,000
Building	1,157,573	1,157,573
Building improvements	1,362,394	1,314,394
Furniture, fixtures and equipment	66,890	74,432
Computer and office equipment	28,804	14,307
Vehicles	91,984	91,984
Software	<u>247,223</u>	<u>247,223</u>
Total cost or donated value	3,674,868	3,619,913
Accumulated depreciation	<u>(416,098)</u>	<u>(244,415)</u>
Net property and equipment	<u>\$ 3,258,770</u>	<u>\$ 3,375,498</u>

For the years ended June 30, 2021 and 2020, depreciation expense charged to operations was \$173,746 and \$116,305, respectively.

AHH has received a property tax exemption from Maricopa County, Arizona for the calendar years ending December 31, 2020 and 2021.

(6) Long-term debt

In connection with the COVID-19 pandemic, AHH entered into a promissory note (loan) with a financial institution dated April 22, 2020. The loan is through the Small Business Association Federal Paycheck Protection Program under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). The loan is in the amount of \$116,300 and bears interest at a rate of 1%. The loan is to be repaid in 18 monthly payments beginning November 22, 2020. The final payment of all outstanding principal and accrued interest was originally due on April 22, 2022. The loan is forgiven for all payroll costs, covered mortgage interest, covered rent payments and covered utility payments incurred during the 8-week period beginning on the date of the initial disbursement of the loan (April 22, 2020). Not more than 25% of the amount forgiven can be attributable to non-payroll costs.

During the year ended June 30, 2021, AHH met the requirements for forgiveness of the loan. Accordingly, the entire principal of the loan of \$116,300 and accrued interest of \$218 were forgiven on December 11, 2020 and are recognized as a contribution in the accompanying statement of activities for the year ended June 30, 2021.

ARIZONA HELPING HANDS, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

(with summarized comparative totals as of June 30, 2020)

(7) Net assets with donor restrictions

Net assets with donor restrictions consist of the following:

	2021	2020
Time restrictions:		
Contributions receivable	\$ 2,287	\$ 87,675
Total net assets with donor restrictions	\$ 2,287	\$ 87,675

Amounts released from restrictions, consist of the following:

	2021	2020
Purpose restrictions:		
Back to school	\$ 176,016	\$ 97,544
Basic needs	146,661	112,500
Capital campaign	85,459	250,000
Licensing & safety	75,000	-
Toy drive	39,389	-
Personal care	23,602	-
Birthday program	9,070	-
Other	9,027	5,912
Time restrictions:		
Contributions receivable	87,773	278,141
Total net assets released from restrictions	\$ 651,997	\$ 744,097

(8) Retirement plan

AHH has established a 403(b) retirement plan which is offered to all employees who meet the eligibility requirements as defined in the plan. Eligible employees may elect to defer a portion of their compensation to the plan. AHH is required to make a matching contribution to the plan equal to the elective employee deferrals not to exceed the lesser of 3% of the employee's compensation, plus 50% of elective employee deferrals in excess of 3%, but not to exceed 5% of the employee's compensation. During the year ended June 30, 2021, AHH made matching contributions of \$7,057 to the plan.

(9) New accounting pronouncements

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842), which requires recognition of rights and obligations from lease contracts longer than one year as assets and liabilities on the balance sheet. The new standard is effective for AHH July 1, 2021. AHH is evaluating the effect that ASU No. 2016-02 will have on its financial statements and related disclosures.

In September 2020, the FASB issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The standard modifies and increases the presentation and disclosure requirements for donated (in-kind) items. The new standards are effective for AHH July 1, 2021. AHH is evaluating the effect that ASU No. 2020-07 will have on its financial statements and related disclosures.

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NOTES TO FINANCIAL STATEMENTS

June 30, 2021

(with summarized comparative totals as of June 30, 2020)

(9) New accounting pronouncements (continued)

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which modifies how expected credit losses on financial instruments are developed. In November 2018, the FASB issued ASU No. 2018-19, *Codification Improvements to Topic 326, Financial Instruments – Credit Losses (Topic 326)* which provides amendments to ASU No. 2016-13 and defers the effective date to years beginning after December 15, 2021. The new standards are effective for AHH July 1, 2022. AHH is evaluating the effect that ASU No. 2016-13 and ASU No 2018-19 will have on its financial statements and related disclosures.