

Audited Financial Statements

Helpers Community, Inc.

For The Years Ended December 31, 2019 and 2018

HELPERS COMMUNITY, INC.

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Independent Auditor's Report

To the Board of Directors
Helpers Community, Inc.
San Francisco, California

Report on the Financial Statements

We have audited the accompanying statements of financial position of Helpers Community, Inc. (HCI) as of December 31, 2019 and 2018, and the related statements of activities and changes in net assets and cash flows for the years then ended.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the 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 consolidated 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 these 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 financial statements are free of 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 financial statements referred to above present fairly, in all material respects, the financial position of Helpers Community, Inc. at December 31, 2019 and 2018, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Other Matters

The financial statements of HCI as of December 31, 2018, were audited by other auditors whose report dated September 25, 2019, expressed an unmodified opinion on those statements.

Emphasis of Matter

As discussed in Note 1, the HCI adopted Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities* and ASU 2019-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* for the year ended December 31, 2019. Our opinion is not modified with respect to this matter.

CAW. LLP

Fresno, California
September 15, 2020

HELPERS COMMUNITY, INC.

Statements of Financial Position

December 31,

Assets	<u>2019</u>	<u>2018</u>
Current assets		
Cash and cash equivalents	\$ 6,651	\$ 218,847
Investments	6,274,175	5,509,620
Prepaid expenses and supplies	32,901	12,568
Total current assets	<u>6,313,727</u>	<u>5,741,035</u>
Property and equipment, net	429,871	419,521
Total assets	<u>\$ 6,743,598</u>	<u>\$ 6,160,556</u>
Liabilities and net assets		
Accounts payable and accrued expenses	15,664	11,641
Accrued payroll and other related liabilities	2,972	1,215
Total liabilities	<u>18,636</u>	<u>12,856</u>
Net assets		
Unrestricted	6,724,962	6,147,700
Total net assets	<u>6,724,962</u>	<u>6,147,700</u>
Total liabilities and net assets	<u>\$ 6,743,598</u>	<u>\$ 6,160,556</u>

See accompanying notes to the financial statements.

HELPERS COMMUNITY, INC.

Statements of Operations and Changes in Net Assets

For the Year Ended December 31,

	<u>2019</u>	<u>2018</u>
Changes in net assets without donor restrictions		
Revenue and other support		
Income from sales, including store operations	19,893	181,478
Contributions, donations and other revenues	78,625	109,063
Interest, investment and dividend income	145,669	135,323
Gain on sale of real property	-	1,332,054
Total unrestricted revenue and other support	<u>244,187</u>	<u>1,757,918</u>
Expenses		
Program services	444,676	561,303
General and administrative	76,582	349,522
Fundraising	20,272	38,268
Total expenses	<u>541,530</u>	<u>949,093</u>
Excess of revenues over expenses	(297,343)	808,825
Unrealized (gains)/losses	874,605	(552,201)
Total change in net assets	577,262	256,624
Net assets		
Beginning of year	<u>6,147,700</u>	<u>5,891,076</u>
End of year	<u>6,724,962</u>	<u>6,147,700</u>

See accompanying notes to the financial statements.

HELPERS COMMUNITY, INC.

Statements of Cash Flows

For the Year Ended December 31,

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities		
Change in net assets without donor restrictions	577,262	256,623
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	15,082	3,881
Changes in operating assets and liabilities		
Change in prepaid expenses and other	(20,333)	(12,568)
Change in accounts payable and accrued expenses	(4,022)	(16,055)
Change in accrued payroll and other related liabilities	(1,757)	(3,203)
Net cash provided by financing activities	<u>566,232</u>	<u>228,678</u>
Cash flows from investing activities		
Acquisition of property, building, and equipment	(25,432)	(335,756)
Change in investments	<u>(752,996)</u>	<u>(251,649)</u>
Net cash used in investing activities	(778,428)	(587,405)
Net increase (decrease) in cash and cash equivalents	(212,196)	(358,727)
Cash and cash equivalents, beginning of year	<u>218,847</u>	<u>577,574</u>
Cash and cash equivalents, end of year	<u><u>6,651</u></u>	<u><u>218,847</u></u>

See accompanying notes to the financial statements.

HELPERS COMMUNITY, INC.

Notes to Financial Statements

December 31, 2019

Note 1 – Summary of Significant Accounting Policies

Helpers Community, Inc. (HCI and the Organization), formerly Helpers of the Mentally Retarded, is a California not-for-profit public benefit corporation that is dedicated to supporting individuals with developmental disabilities and the organizations that serve them in the greater SF Bay Area. Revenue for this support comes from sales of donated clothing, jewelry, and household goods, as well as some purchased goods to supplement, as well as financial donations from individuals and estates.

In 2019 and 2018, Helpers Community, Inc. donated over \$250,000 each year to organizations that serve individuals with developmental disabilities.

Helpers Community, Inc. also has a retail store, Helpers Artisan Boutique, newly located at 1947 Union Street as of April 2019. All purchases have supported individuals with developmental disabilities. The store is 100% staffed by individuals with developmental disabilities training for careers in retail in partnership with their support organizations. In addition to donated items, the store features art and beautiful handmade items created by artisans with developmental disabilities in the greater SF Bay Area. Helpers Community, Inc. has also operated a House of Couture, located in one of its properties, where it sold donated jewelry and clothing. House of Couture is now closed and the last of the inventory is now being sold to individuals and brokers, with all proceeds going to grants and organizations that serve individuals with developmental disabilities in California.

In 2017, Helpers Community, Inc. began renovating two of its homes to create a Group Home for individuals with developmental disabilities who need some support to live in the community. Helpers Board of Directors invested over \$400,000 in beautiful renovations to prepare the homes for service. One home was fully operational and occupied by adults with developmental disabilities by the end of 2018, and the second home was operational as of early 2019.

Basis of Presentation – The financial statements are presented on the basis of net assets with donor restrictions and net assets without restrictions pursuant to FASB ASC 958, Not-for-Profit Entities.

Basis of Accounting – The financial statements are prepared using the accrual basis of accounting. Accordingly, revenue is recognized when earned, and expenses are recognized when incurred.

Cash and Cash Equivalents – For purposes of the Statement of Cash Flows, HCI considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Fixed Assets – Fixed assets with an estimated useful life in excess of three years are capitalized at cost; donated assets are capitalized at the fair market value at date of receipt. Depreciation is computed using the straight-line method with estimated useful lives varying between three and forty years. HCI capitalizes fixed assets in excess of \$2,500.

Comparative Data - Certain prior year amounts have been reclassified to conform to current year financial statement presentation.

Subsequent Events – Subsequent events have been evaluated through the date the financial statements were available to be issued. While the full economic and personnel impact isn't known at this time, the COVID-19 crisis beginning in early 2020 thru the audit release date has caused significant decreases in economic activity throughout the country, including the Organization.

HELPERS COMMUNITY, INC.

Notes to Financial Statements

December 31, 2019

Note 1 – Summary of Significant Accounting Policies (continued)

Recent Accounting Pronouncements- In May 2014, the FASB issued Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers (Topic 606)* ("ASU 2014-09"), which provides that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services by identifying the contract(s) with a customer, identifying the performance obligations in the contract, determining the transaction price, allocating the transaction price to the performance obligations in the contract, and recognizing revenue when (or as) the entity satisfied a performance obligation. In August 2015, the FASB issued ASU No. 2015-14, *Deferral of the Effective Date* ("ASU 2015-14"), which deferred the effective date of ASU 2014-09 for all entities by one year. In March 2016, the FASB issued ASU No. 2016-08, *Principal versus Agent Considerations (Reporting Revenue Gross versus Net)* ("ASU 2016-08"), which clarifies the implementation guidance on principal versus agent considerations in ASU 2014-09. In April 2016, the FASB issued ASU No. 2016-10, *Identifying Performance Obligations and Licensing* ("ASU 2016-10"), which clarifies the implementation guidance on identifying performance obligations and the licensing implementation guidance in ASU 2014-09, while retaining the related principles for those areas. In May 2016, the FASB issued ASU No. 2016-12, *Narrow-Scope Improvements and Practical Expedients* ("ASU 2016-12"), which provides narrow scope improvements and practical expedients to ASU 2014-09.

The Organization adopted the provisions of ASU 2014-09, ASU 2015-14, ASU 2016-08, ASU 2016-10, and ASU 2016-12 using the modified retrospective method applied to all contracts existing as of January 1, 2019. Prior to the adoption of ASU 2014-09, a significant portion of the provision and allowance for uncollectible accounts was related to uninsured patients and expected uncollectible deductibles and copayments on accounts which the third-party payor had not yet paid. Under ASU 2014-09, the estimated uncollectible amounts due from these patients are generally considered implicit price concessions that represent a direct reduction to net patient service revenue and a corresponding reduction to patient accounts receivable. The adoption of ASU 2014-09 also implemented additional disclosure requirements.

In January 2016, the FASB issued ASU No. 2016-01, *Financial Instruments* ("ASU 2016-01"), which requires an entity to: (i) measure equity investments at fair value through net income, with certain exceptions; (ii) present in OCI the changes in instrument-specific credit risk for financial liabilities measured using the fair value option; (iii) present financial assets and financial liabilities by measurement category and form of financial asset; (iv) calculate the fair value of financial instruments for disclosure purposes based on an exit price; and (v) assess a valuation allowance on deferred tax assets related to unrealized losses of available-for-sale debt securities in combination with other deferred tax assets. The update provides an election to subsequently measure certain nonmarketable equity investments at cost less any impairment and adjusted for certain observable price changes. The update also requires a qualitative impairment assessment of such equity investments and amends certain fair value disclosure requirements.

The adoption of ASU 2016-01 is effective for the Organization beginning January 1, 2020. Management is currently evaluating the impact of the provisions of ASU 2016-01 on the financial statements.

HELPERS COMMUNITY, INC.

Notes to Financial Statements

December 31, 2019

Note 1 – Summary of Significant Accounting Policies (continued)

Contributions – HCI reports contributions as restricted support if the support is received with donor stipulations that limit the use of the donated assets. When a donor 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. However, if a restriction is fulfilled in the same period in which the contribution is received, HCI reports the support as unrestricted. Donated assets are recorded at their estimated fair market values at the date of receipt.

Estimates – The preparation of 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. Accordingly, actual results could differ from those estimates.

Note 2 – Property and equipment

Fixed assets at December 31, 2019 and 2018 consisted of the following:

	<u>2019</u>	<u>2018</u>
Land and buildings	\$ 849,102	\$ 834,113
Furniture and equipment	22,445	15,272
Accumulated depreciation	<u>(441,676)</u>	<u>(429,864)</u>
Total property and equipment	<u>\$ 429,871</u>	<u>\$ 419,521</u>

Depreciation expense was \$15,082 and \$3,881 for the years ended December 31, 2019 and 2018, respectively.

Note 3 – Investments

Portfolio of investments are in accordance with board reviewed and approved policies and at December 31, 2019 and 2018 consists of the following:

	<u>2019</u>	<u>2018</u>
Mutual funds and ETF	\$3,756,237	\$2,201,369
Fixed Income	<u>2,517,938</u>	<u>\$3,308,251</u>
	<u>\$6,274,175</u>	<u>\$5,509,620</u>

HELPERS COMMUNITY, INC.

Notes to Financial Statements

December 31, 2019

Note 3 – Investments (continued)

The following schedule summarizes investment return and its classification in the statements of activities for the years ended December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Interest and dividend income	\$ 168,772	\$ 135,323
Net unrealized gain/(loss) on investments	<u>874,605</u>	<u>(552,201)</u>
Total	<u>1,043,377</u>	<u>(416,878)</u>

Investment management fees totaled \$23,248 and \$13,348 for the year ended December 31, 2019 and 2018.

Note 4 – Commitments and Contingencies

Laws and regulations governing welfare and institution programs are complex and subject to interpretation. The Organization believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoings. In the ordinary course of conducting its business, HCI may be subjected to loss contingencies arising from general business matters or lawsuits. While there are none known or unknown at December 31, 2019, management believes that the outcome of such matters, if any, will not have a material impact on HCI's financial position or results of future operations.

The current protracted economic decline continues to present not for profit entities with difficult circumstances and challenges, which in some cases have resulted in large and unanticipated declines in the fair values of investments and other assets, constraints on liquidity and difficulty obtaining financing. Further, the effect of economic conditions on the State of California may have an adverse effect on cash flows related to program services.

Note 5 – Income Taxes

HCI is a not-for-profit organization, exempt from federal income tax under Section 501 (c)(3) of the U.S. Internal Revenue Code (the Code), and contributions to it are tax deductible as described by the Code. HCI has been classified as an organization that is not a private foundation under Section 509(a)(1) and has been designated as a "publicly supported" organization under Section 170(b)(1)(A)(vi) of the Code.

The preparation of financial statements in accordance with U.S. GAAP requires HCI to report information regarding its exposure to various tax positions taken by HCI. HCI has determined whether any tax positions have met the recognition threshold and have measured any exposure to those tax positions. Management believes that HCI has adequately addressed all relevant tax positions and that there are no unrecorded tax liabilities. Federal and state tax authorities generally have the right to examine and audit the previous three years of tax returns filed. Any interest or penalties assessed to HCI are recorded in operating expenses. No interest or penalties from federal or state tax authorities were recorded in the accompanying financial statements. The tax years of 2015 through 2018 remain open and subject to examination by the appropriate government agencies in the United States and California.

HELPERS COMMUNITY, INC.

Notes to Financial Statements

December 31, 2019

Note 6 – Fair Value of Financial Instruments

ASC 820 defines fair value, establishes a framework for measuring fair value under generally accepted accounting principles and enhances disclosures about fair value measurements. Fair value is defined under ASC 820 as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value under ASC 820 must maximize the use of observable inputs and minimize the use of unobservable inputs. The standard describes a fair value hierarchy based on three levels of inputs that may be used to measure fair value, of which the first two are considered observable and the last unobservable as:

Level 1 – Quoted prices in active markets for identical assets or liabilities.

Level 2 – Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets 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.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

In accordance with ASC 820, the following table represents HCI's fair value hierarchy for its financial assets measured at fair value on a recurring basis at December 31, 2019 and 2018:

	2019			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds and ETF	3,756,237			3,756,237
Fixed income	-	2,517,938	-	2,517,938
Total	<u>\$3,756,237</u>	<u>\$ 2,517,938</u>	<u>\$ -</u>	<u>\$6,274,175</u>

	2018			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds and ETF	2,201,369			2,201,369
Fixed income	-	3,308,251	-	3,308,251
Total	<u>\$2,201,369</u>	<u>\$ 3,308,251</u>	<u>\$ -</u>	<u>\$5,509,620</u>

HELPERS COMMUNITY, INC.

Notes to Financial Statements

December 31, 2019

Note 7: Information Regarding Liquidity and Availability of Resources

The Organization regularly monitors the availability of resources required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The Organization has various sources of liquidity at its disposal, including cash and cash equivalents, and investments. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing activities of providing program related activities as well as the conduct of services undertaken to support those activities to be general expenditures.

The Organization strives to maintain liquid financial assets sufficient to cover 60 days of general expenditures. The following table reflects the Organization's financial assets as of December 31, 2019, reduced by amounts that are not available to meet general expenditures within one year of the balance sheet date.

	<u>2019</u>
Cash and cash equivalents	\$ 6,651
Investments	6,274,175
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 6,281,826</u>

In addition to financial assets available to meet general expenditures over the next 12 months, the Organization operates with a balanced budget and anticipates collecting sufficient program revenue to cover general expenditures not covered by grants or donor-restricted resources. Refer to the statement of cash flows which identifies the sources and uses of the Organization's cash and shows positive cash generated by operations for fiscal year 2019.

HELPERS COMMUNITY, INC.

Notes to Financial Statements

December 31, 2019

Note 8 – Functional Expenses

The Organization provides program services primarily to residents within its geographic area. The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include depreciation, interest, insurance, and office and occupancy, which are allocated on a square-footage basis, as well as salaries and benefits, which are allocated on the basis of estimates of time and effort. Expenses for the year ended December 31, 2019 include:

	<u>Grant Program</u>	<u>Program Services</u>	<u>G&A</u>	<u>Development</u>	<u>Total</u>
Salaries and benefits	\$ -	\$ 62,237	\$ 7,994	\$ 4,483	\$ 74,713
Occupancy	-	64,911	12,807	-	77,718
Program costs	254,300				254,300
Professional services		38,983	36,217	12,788	87,988
Office and other expense		11,419	3,937	2,714	18,070
Insurance			13,659		13,659
In-kind expenses					-
Depreciation		13,067	1,728	287	15,082
	<u>\$ 254,300</u>	<u>\$ 190,617</u>	<u>\$ 76,342</u>	<u>\$ 20,272</u>	<u>\$ 541,530</u>