

HANDS OFFERING HOPE FOUNDATION INC.

AUDITED FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2020



HANDS OFFERING HOPE FOUNDATION INC.

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
Hands Offering Hope Foundation Inc.
Trumbull, CT 06611

We have audited the accompanying statements of assets, liabilities, and net assets – cash basis of Hands Offering Hope Foundation Inc. (a nonprofit organization) as of September 30, 2020, and the related statement of revenues, expenses, and other changes in net assets – cash basis and statement of functional expenses – cash basis 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 the cash basis of accounting as described in Note 1; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements. Management is also responsible for 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.

Auditors' 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 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 financial statements referred to above present fairly, in all material respects, the assets, liabilities, and net assets of Hands Offering Hope Foundation Inc. as of September 30, 2020, and its revenues and expenses for the year then ended in accordance with the cash basis of accounting as described in Note 1.

Basis of Accounting

The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America, as described in Note 1. Our opinion is not modified with respect to this matter.

AO & Company, LLC

Shelton, Connecticut
December 11, 2020

**HANDS OFFERING HOPE FOUNDATION INC.
STATEMENT OF ASSETS, LIABILITIES, AND NET ASSETS – CASH BASIS**

	June 30,
	2020
ASSETS	
Cash and cash equivalents	\$ 107,379
Building escrow	64,400
TOTAL ASSETS	\$ 171,779
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Credit card payable	\$ 2,653
Current portion of long-term debt	24,752
TOTAL CURRENT LIABILITIES	27,405
LONG-TERM DEBT, LESS CURRENT PORTION	82,234
TOTAL LIABILITIES	109,639
NET ASSETS	
Without donor restrictions	(2,260)
With donor restrictions	64,400
TOTAL NET ASSETS	62,140
TOTAL LIABILITIES AND NET ASSETS	\$ 171,779

See notes to financial statements

HANDS OFFERING HOPE FOUNDATION INC.
STATEMENT OF REVENUES, EXPENSES, AND OTHER CHANGES IN NET ASSETS – CASH BASIS
FOR THE YEAR ENDED SEPTEMBER 30,

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Other Support			
Contributions	\$ 322,545	\$ 150,000	\$ 472,545
Grants	117,500	-	117,500
Fundraising	23,465	-	23,465
Net assets released from restrictions	85,600	(85,600)	-
	549,110	64,400	613,510
Expenses			
Program services	358,984	-	358,984
Management and general	49,592	-	49,592
Fundraising	114,373	-	114,373
Total operating expenses	522,949	-	522,949
Change in net assets from operations	26,161	64,400	90,561
Nonoperating activities			
Grants-Economic Injury Disaster Grant	7,000	-	7,000
Other income	32	-	32
Interest income	281	-	281
Currency exchange	448	-	448
Total nonoperating activities	7,761	-	7,761
Change in net assets	33,922	64,400	98,322
Net assets, beginning of year	(36,182)	-	(36,182)
Net assets, end of year	\$ (2,260)	\$ 64,400	\$ 62,140

See notes to financial statements

**HANDS OFFERING HOPE FOUNDATION INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

	Program Services	Management and General	Fundraising	Total
Wages and compensation	\$ 50,633	\$ 16,940	\$ 91,365	\$ 158,938
Building expense	133,437	-	-	133,437
Grants paid	114,099	-	-	114,099
Payroll taxes	-	10,376	-	10,376
Conference	24,393	-	-	24,393
Fundraising	-	-	18,778	18,778
Travel	12,009	483	4,230	16,722
Program scholarships	13,631	-	-	13,631
Office expenses	-	5,807	-	5,807
Translators	4,666	-	-	4,666
Interest	-	4,514	-	4,514
Occasional labor	3,535	-	-	3,535
Bank charges	-	3,473	-	3,473
Advertising	-	3,190	-	3,190
Insurance	-	2,278	-	2,278
Language training	1,700	-	-	1,700
Postage	-	1,420	-	1,420
Miscellaneous	769	-	-	769
Dues & subscriptions	-	762	-	762
Professional fees	-	189	-	189
Production costs	112	-	-	112
Meals and entertainment	-	110	-	110
Other taxes	-	50	-	50
	<u>\$ 358,984</u>	<u>\$ 49,592</u>	<u>\$ 114,373</u>	<u>\$ 522,949</u>

See notes to financial statements

HANDS OFFERING HOPE FOUNDATION INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of the Organization

Hands Offering Hope Foundation Inc. (the Organization) believes in the incredible potential of young people. The Organization works to see children and youth around the world thrive by offering hope, love, and opportunity through a global community of experts. The Organization works with youth from Lázaro Cárdenas, a municipality in the Yucatán Peninsula state of c. Due to poverty, social expectations, limited job opportunities, and a host of other limitations, students in Quintana Roo are not often afforded the opportunity to dream or pursue bold goals. Through innovative programs and a global community of support, the Organization helps students learn, grow, and pursue these goals.

Basis of Accounting and Presentation

The Organization's policy is to prepare its financial statements on the cash basis of accounting; wherein revenues are recognized when received rather than when earned, and expenses and purchases of assets are recognized when cash is disbursed rather than when the obligation is incurred. Consequently, no provision has been made for accounts receivable, accounts payable, and other accruals of income, expenses, assets or liabilities.

In addition, the cash basis of accounting requires the Organization to report information regarding its assets, liabilities, revenues and expenses according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Organization's management.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity. At September 30, 2020, the Organization has \$64,400 in net assets with donor restrictions imposed.

Measure of Operations

The statements of revenues, expenses, and other changes in net assets – cash basis reports all change in net assets from operating activities. Operating activities consist of those items attributable to the Organization's ongoing service to assist young people in achieving their goals.

Use of Estimates

The preparation of financial statements in conformity with the cash basis of accounting requires management to make estimates and assumptions that affect certain reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

HANDS OFFERING HOPE FOUNDATION INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

Cash and Cash Equivalents

The Organization considers all highly liquid investments with maturities of 90 days or less and cash in banks to be cash equivalents. The Organization maintains its cash and cash equivalents in bank deposit accounts that, at times, may exceed federally insured limits. The Organization believes it is not exposed to any significant credit risk on cash and cash equivalents.

Contributions

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of 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 statements of activities as net assets released from restrictions.

Contributed property and equipment are recorded at fair value at the date of donation. Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions.

Functional Expenses

The cost of providing program and supporting services have been summarized on a functional basis in the statements of functional expenses – cash basis. Accordingly, certain costs have been allocated among program services and supporting services benefited. Such allocations are determined by management on an equitable basis.

Income Tax Status

The Organization is exempt from income tax under IRC section 501(c)(3), though it is subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the Code. The Organization has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated income; to determine its filing and tax obligations in jurisdictions for which it has nexus; and to identify and evaluate other matters that may be considered tax positions. The Organization has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements.

Advertising

Advertising costs are expensed as incurred. Total advertising expense for September 30, 2020 was \$3,190.

Subsequent Events

In December 2019, a novel strain of coronavirus has spread around the world resulting in business and social disruption. The coronavirus was declared a Public Health Emergency of International Concern by the World Health Organization on January 30, 2020. The operation results of the Company could potentially be adversely affected by this global pandemic. The extent to which the coronavirus may impact business activity or investment results will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the coronavirus and the actions required to contain the coronavirus. Local 1336 has not included any contingencies in the financial statements specific to this issue.

HANDS OFFERING HOPE FOUNDATION INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

Subsequent events were evaluated through December 11, 2020, the date of the financial statements were available to be issued.

Recently Issued Accounting Standards Implemented

Accounting Pronouncements Adopted:

As of October 1, 2019, the Organization adopted the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers (Topic 606), as amended.

ASU 2014-09 applies to exchange transactions with customers that are bound by contracts or similar arrangements and establishes a performance obligation approach to revenue recognition. Results for reporting the year ending September 30, 2020 (if chosen) are presented under FASB ASC Topic 606.

During the year, the Organization also adopted the provisions of FASB ASU 2018-08, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958). This accounting standard is meant to help not-for-profit entities evaluate whether transactions should be accounted for as contributions or as exchange transactions and, if the transaction is identified as a contribution, whether it is conditional or unconditional. ASU 2018-08 clarifies how an organization determines whether a resource provider is receiving commensurate value in return for a grant. If the resource provider does receive commensurate value from the grant recipient, the transaction is an exchange transaction and would follow the guidance under ASU 2014-09 (FASB ASC Topic 606). If no commensurate value is received by the grant maker, the transfer is a contribution. ASU 2018-08 stresses that the value received by the general public as a result of the grant is not considered to be commensurate value received by the provider of the grant. There was no material impact to the financial statements as a result of adoption. Accordingly, no adjustment to opening net assets was recorded.

In August 2016, the FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements for Not-for-Profit Entities, which changed the previous guidance for net asset classification, governing board designations, expenses and liquidity. ASU 2016-14 reduced the required number of classes of net assets from three to two: net assets with donor restrictions and net assets without donor restrictions.

Recently Issued Accounting Standards Not Yet Implemented

The following accounting pronouncements were recently issued by the FASB: In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842). This ASU requires that a lease liability and related right-of-use-asset representing the lessee's right to use or control the asset be recorded on the consolidated statement of financial position upon the commencement of all leases except for short-term leases. Leases will be classified as either finance leases or operating leases, which are substantially similar to the classification criteria for distinguishing between capital leases and operating in existing lease accounting guidance. As a result, the effect of leases in the consolidated statement of activities and changes in net assets and the consolidated statement of cash flows will be substantially unchanged from the existing lease accounting guidance. In 2019, the FASB delayed the effective date for nonpublic entities to fiscal years beginning after December 15, 2020. Early adoption is permitted. The Organization is currently evaluating the full effect that the adoption of this standard will have on the consolidated financial statements.

HANDS OFFERING HOPE FOUNDATION INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 2 – AVAILABILITY AND LIQUIDITY

The following represents the Organization’s financial assets at September 30, 2020:

Financial assets at year end:		<u>2020</u>
Cash and cash equivalents	\$	107,379
Building escrow		64,400
Less:		
Net assets with donor restrictions		<u>(64,400)</u>
Financial assets available to meet general expenditures over the next twelve months	\$	<u>107,379</u>

The Organization’s goal is generally to maintain financial assets to meet 90 days of operating expenses.

NOTE 3 - LONG-TERM DEBT

Long-term debt consists of the following:

		<u>September 30,</u> <u>2020</u>
Note payable to Paul and Carol Wolff, bearing a current interest rate of 5.0 percent per annum, consisting of monthly principal and interest payments of \$986, maturing December 2029	\$	86,276
Note payable to People’s Bank, received under the provisions of the Paycheck Protection Program, reference below for the full details of this short-term loan		<u>20,710</u>
		106,986
Less current maturities		<u>24,752</u>
	\$	<u><u>82,234</u></u>

HANDS OFFERING HOPE FOUNDATION INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

The amount of long-term debt maturing during the next five years is as follows:

Nine Months Ended September 30,

2021	\$	7,698
2022		8,092
2023		8,506
2024		8,941
2025		9,399
Thereafter		<u>64,350</u>
	<u>\$</u>	<u>106,986</u>

Paycheck Protection Program

On May 4, 2020, the Organization received loan proceeds in the amount of approximately \$20,710 under the Paycheck Protection Program (“PPP”). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable after eight weeks (or twenty-four weeks, if the Organization chooses to elect) as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the eight-week (or twenty-four week) period. The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments for the first six months. The Organization intend to use the proceeds for purposes consistent with the PPP and that the use of the loan proceeds will meet the conditions for full forgiveness.

NOTE 4 – NET ASSETS WITH DONOR RESTRICTIONS

During the year ended September 30, 2020, a contribution was made of \$150,000 towards the acquisition of a building in Quintana Roo, Mexico. These funds were held in escrow and disbursements are specifically used towards the acquisition of the building in Mexico. At September 30, 2020, the Organization has spent \$85,600 towards the acquisition of the building. The balance of \$64,600 is maintained in a restricted cash account until the transaction is completed.