



Financial Statements
June 30, 2022

Arizona Helping Hands, Inc.

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Independent Auditor's Report

To the Board of Directors
Arizona Helping Hands, Inc.
Phoenix, Arizona

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Arizona Helping Hands, Inc., which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of Arizona Helping Hands, Inc. as of June 30, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities of the Audit of the Financial Statements section of our report. We are required to be independent of Arizona Helping Hands, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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; and 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Arizona Helping Hands, Inc.'s ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities of the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Arizona Helping Hands, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Arizona Helping Hands, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Eide Bailly LLP

Phoenix, Arizona
February 1, 2023

Arizona Helping Hands, Inc.
Statement of Financial Position
June 30, 2022

Current Assets	
Cash and Cash Equivalents	\$ 4,386,239
Current portion of promises to give, net	85,000
Inventory	2,204,485
Prepaid expenses and other assets	<u>48,851</u>
Total current assets	6,724,575
Promises to Give, Net of Current Portion	8,300
Property and Equipment, Net	3,133,683
Investments	<u>1,616,645</u>
Total assets	<u><u>\$ 11,483,203</u></u>
Liabilities and Net Assets	
Current Liabilities	
Accounts payable	\$ 24,898
Other accrued liabilities	<u>97,801</u>
Total current liabilities	<u>122,699</u>
Total liabilities	<u>122,699</u>
Net Assets	
Without donor restrictions	
Undesignated	10,874,084
Designated by the Board for operating reserve	<u>381,813</u>
	11,255,897
With donor restrictions	<u>104,607</u>
Total net assets	<u>11,360,504</u>
Total liabilities and net assets	<u><u>\$ 11,483,203</u></u>

Arizona Helping Hands, Inc.
Statement of Activities
Year Ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue			
In-kind contributions	\$ 2,919,114	\$ -	\$ 2,919,114
Contributions	2,546,990	482,214	3,029,204
Merchandise sales, less cost of sales of \$5,092	461	-	461
Fundraising events	114,019	-	114,019
Net investment loss	(37,080)	-	(37,080)
Other	9,871	-	9,871
	<u>5,553,375</u>	<u>482,214</u>	<u>6,035,589</u>
Total support and revenue before net assets released from restrictions			
	5,553,375	482,214	6,035,589
Net assets released from restrictions	<u>379,894</u>	<u>(379,894)</u>	<u>-</u>
Total support and revenue	<u>5,933,269</u>	<u>102,320</u>	<u>6,035,589</u>
Expenses			
Program services	<u>3,392,564</u>	<u>-</u>	<u>3,392,564</u>
Supporting services			
Management and general	608,448	-	608,448
Fundraising	236,258	-	236,258
	<u>844,706</u>	<u>-</u>	<u>844,706</u>
Total supporting services expenses			
	844,706	-	844,706
Total expenses	<u>4,237,270</u>	<u>-</u>	<u>4,237,270</u>
Change in Net Assets	1,695,999	102,320	1,798,319
Net Assets, Beginning of Year	<u>9,559,898</u>	<u>2,287</u>	<u>9,562,185</u>
Net Assets, End of Year	<u>\$ 11,255,897</u>	<u>\$ 104,607</u>	<u>\$ 11,360,504</u>

Arizona Helping Hands, Inc.
Statement of Functional Expenses
Year Ended June 30, 2022

	Supporting Services				Total
	Program Services	Management and General	Fundraising	Total Supporting Services	
Salaries and Wages	\$ 304,124	\$ 254,925	\$ 102,234	\$ 357,159	\$ 661,283
Payroll Taxes and Benefits	60,181	50,446	20,231	70,677	130,858
	364,305	305,371	122,465	427,836	792,141
Professional Fees	-	170,479	5,273	175,752	175,752
Holiday Toys and Supplies	81,969	-	-	-	81,969
Birthday Gifts and Packages	290,981	-	-	-	290,981
Assistance to Youth and Foster Families	2,426,612	-	-	-	2,426,612
Backpacks and School Supplies	60,681	-	-	-	60,681
Occupancy	48,650	2,476	464	2,940	51,590
Telephone and internet	-	5,867	-	5,867	5,867
Bank and Credit Card Fees	-	-	36,753	36,753	36,753
Operating Expenses	31,641	2,360	752	3,112	34,753
Office Supplies	-	10,797	-	10,797	10,797
Insurance	-	20,227	-	20,227	20,227
Depreciation	82,890	89,797	-	89,797	172,687
Printing and Postage	-	1,074	-	1,074	1,074
Advertising, Marketing, and Promotions	-	-	69,418	69,418	69,418
Travel and Auto	4,835	-	-	-	4,835
Bad Debt	-	-	1,133	1,133	1,133
Total expenses	\$ 3,392,564	\$ 608,448	\$ 236,258	\$ 844,706	\$ 4,237,270

Arizona Helping Hands, Inc.
Statement of Cash Flows
Year Ended June 30, 2022

Operating Activities	
Change in net assets	\$ 1,798,319
Adjustments to reconcile change in net assets to net cash from operating activities	
Depreciation	172,687
Net investment loss	37,080
Donation of investments	(6,973)
Change in inventory	(505,049)
Changes in operating assets and liabilities	
Promises to give, net	(50,786)
Prepaid expenses and other assets	(605)
Accounts payable	(67,422)
Accrued expenses	22,566
	<u>1,399,817</u>
Net Cash from Operating Activities	<u>1,399,817</u>
Investing Activities	
Purchases of property and equipment	<u>(12,860)</u>
Net Cash used for Investing Activities	<u>(12,860)</u>
Net Change in Cash and Cash Equivalents	1,386,957
Cash and Cash Equivalents, Beginning of Year	<u>2,999,282</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 4,386,239</u></u>
Supplemental Disclosures of Non-cash Investing and Financing Activities	
Donation of investments	<u><u>\$ 6,973</u></u>
Property and equipment additions included in other accrued liabilities	<u><u>\$ 34,740</u></u>

Note 1 - Principal Activity and Significant Accounting Policies

Organization

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.

Cash and Cash Equivalents

All cash and highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, are considered to be cash and cash equivalents.

Promises to Give

AHH records unconditional promises to give that are expected to be collected within one year at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statement of activities. The discount was not material to the financial statements and as such, no discount has been recorded at June 30, 2022. Allowance for uncollectible promises to give is determined based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectible. At June 30, 2022, no allowance was considered necessary.

Inventories

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

Property and Equipment and Related Depreciation

Property and equipment additions over \$1,000 are recorded at cost, or if donated, at fair value on the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from 3 to 39 years. When assets are sold or otherwise disposed of, the cost and related depreciation are removed from the accounts, and any resulting gain or loss is included in the statements of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

The carrying values of property and equipment are reviewed for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the year ended June 30, 2022.

Investments

Investment purchases are recorded at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statements of financial position. Net investment return/(loss) is reported in the statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external investment expenses.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve.

Net Assets With Donor Restrictions – Net assets subject to donor (or certain grantor) restrictions. Some donor imposed (or grantor) restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. AHH reports contributions restricted by donors as increases in net assets with donor restrictions if they are 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.

Revenue and Revenue Recognition

Revenue is recognized from sales of merchandise when the products are transferred. Merchandise sales are recognized at the time of purchase.

Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. During the year ended June 30, 2021, AHH received a conditional matching contribution not to exceed \$100,000 in each calendar year 2022 and 2021. At June 30, 2022, conditional contributions approximating \$73,000, for which no amounts had been received in advance, have not been recognized in the accompanying financial statements.

In-Kind Contributions

In-kind contributions include donated inventory and materials, which are recorded at their respective estimated fair values of the goods received (Note 7). AHH does not sell donated gifts-in-kind; however, the donated gifts-in-kind are used in delivering program services. In addition to in-kind contributions, volunteers contribute significant amounts of time to program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed goods are recorded at fair value at the date of donation.

Advertising Costs

Advertising costs are expensed as incurred and totaled \$69,418 during the year ended June 30, 2022.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and wages, payroll taxes and benefits, professional fees, occupancy, operating expenses, and depreciation, which are allocated based on a square footage basis or time and effort basis.

Income Tax Status

AHH is organized as an Arizona nonprofit corporation and has been recognized by the IRS as exempt from federal income taxes under IRC Section 501(a) as an organization described in IRC Section 501(c)(3), qualifies for the charitable contribution deduction, and has been determined not to be a private foundation. AHH is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, AHH is subject to income tax on net income that is derived from business activities that are unrelated to its exempt purposes. AHH determined that it is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

Management believes that it has appropriate support for any tax positions taken affecting its annual filing requirements, 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.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires AHH to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates, and those differences could be material.

Financial Instruments and Credit Risk

Deposit concentration risk is managed by placing cash, money market accounts, and certificates of deposit with financial institutions believed by AHH to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. Credit risk associated with promises to give are limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from Board members, governmental agencies, and foundations supportive of AHH's mission. Investments are made by diversified investment managers whose performance is monitored by AHH. Although the fair values of investments are subject to fluctuation on a year-to-year basis, AHH believes that the investment policies and guidelines are prudent for the long-term welfare of AHH.

Recently Adopted Accounting Guidance

The Financial Accounting Standards Board (FASB) issued Accounting Standards (ASU) Update 2020-07, *Not-For-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The ASU seeks to improve the transparency in the reporting of contributed nonfinancial assets, also known as gifts-in-kind, for not-for-profit organizations. The amendments to the ASU require contributed nonfinancial assets to be presented as a separate line item in the statement of activities, separate from other forms of contributions. The standard also enhances disclosure requirements in each of the following:

- Disaggregation of the types of nonfinancial assets by category and amount,
- Description of any donor-imposed restrictions,
- Qualitative information about whether the contributions were monetized or utilized,
- If monetized, a policy about monetizing rather than utilizing the asset,
- Disclosure of the valuation techniques and inputs used to arrive at fair value measurement at initial recognition,
- Principal market (or most advantageous market) used to arrive at fair value measure.

As of July 1, 2021, AHH has adopted ASU 2020-07 on a retrospective basis and has determined that the adoption does not have a significant impact on the financial statements.

Subsequent Events

AHH has evaluated subsequent events through February 1, 2023, the date the financial statements were available to be issued.

Note 2 - Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

Cash and cash equivalents	\$ 4,386,239
Promises to give due within one year	85,000
Investments	1,616,645
Less Board designated net assets	(381,813)
Less net assets with donor restrictions	<u>(104,607)</u>
Financial assets available to meet general expenditures within one year	<u>\$ 5,601,464</u>

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 promises to give. 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.

Note 3 - Investments and Fair Value Measurements

Certain assets are reported at fair value in the financial statements. Fair value is the price that would be received to sell an asset in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset based on market data obtained from sources independent of the reporting entity.

Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets that can be accessed at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly. These include quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, inputs other than quoted prices that are observable for the asset, and market-corroborated inputs.

Level 3 – Unobservable inputs for the asset. In these situations, inputs are developed using the best information available in the circumstances.

In some cases, the inputs used to measure the fair value of an asset might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, considering factors specific to the asset. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to AHH's assessment of the quality, risk, or liquidity profile of the asset.

A significant portion of investment assets are classified within Level 1 because they comprise open-end mutual funds with readily determinable fair values based on daily redemption values. AHH invests in CDs traded in the financial markets. Those CDs and U.S. government obligations are valued by the custodians of the securities using pricing models based on credit quality, time to maturity, stated interest rates, and market-rate assumptions and are classified within Level 1.

The following table presents assets measured at fair value on a recurring basis at June 30, 2022:

	Total	Fair Value Measurements at Report Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Certificates of deposit	\$ 1,178,921	\$ 1,178,921	\$ -	\$ -
Equities	346,714	346,714	-	-
Alternative assets	28,779	28,779	-	-
Cash and money market funds (at cost)	62,231	-	-	-
Total	<u>\$ 1,616,645</u>	<u>\$ 1,554,414</u>	<u>\$ -</u>	<u>\$ -</u>

Note 4 - Promises to Give

Unconditional promises to give are estimated to be collected as follows at June 30, 2022:

Within one year	\$ 85,000
In one to five years	8,300
	<u>93,300</u>
Less allowance for uncollectible promises to give	<u>-</u>
	<u>\$ 93,300</u>

Note 5 - Property and Equipment

Property and equipment consisted of the following at June 30, 2022:

Land	\$ 720,000
Building	1,157,581
Building improvements	1,362,394
Furniture, fixtures, and equipment	101,630
Computer and office equipment	41,655
Vehicles	91,984
Software	247,223
	3,722,467
Less accumulated depreciation	(588,784)
	\$ 3,133,683

Note 6 - Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or periods at June 30, 2022:

Subject to Expenditure for Specified Purpose	
Licensing and safety	\$ 6,307
Other	5,000
	11,307
Subject to the Passage of Time	
Promises to give that are not restricted by donors, but which are unavailable for expenditure until due	93,300
	\$ 104,607

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the year ended June 30, 2022:

Expiration of time restrictions	\$ 62,060
Satisfaction of purpose restrictions	
Back to school	11,850
Basic needs	182,623
Licensing and safety	93,693
Holiday toy drive	27,223
Personal care	35
Birthday program	2,210
Footlocker	200
	\$ 379,894

Note 7 - In-kind Contributions

For the year ended June 30, 2022, in-kind contributions recognized within the statement of activities included the following:

Toys	\$ 784,737
Back to school supplies	63,927
License and safety	485
Birthday gifts and supplies	37,985
Bikes	22,074
Holiday gifts	5,170
Beds/bedding	96,384
Personal care items	175,344
Apparel	1,187,783
Comfort care items	36,034
Other basic needs	47,690
Other miscellaneous community support	461,501
	\$ 2,919,114

All contributed items are valued at estimated retail or replacement cost for identical or similar products using pricing data under a “like-kind” methodology considering the goods’ condition and utility for use at the time of the contribution. A moving weighted-average approach is used to value certain items including bulk contributions of apparel. Contributed items are used in program services.

All gifts-in-kind received during the year ended June 30, 2022 were unrestricted.

Note 8 - Employee Benefits

AHH sponsors a tax-deferred annuity plan (the Plan) qualified under IRC Section 403(b) covering substantially all full-time employees. The Plan provides that all eligible employees may voluntarily contribute a portion of their earnings to the Plan, up to the maximum contribution allowed by the IRS. Employer contributions are 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, 2022, AHH made matching contributions of \$3,987 to the Plan.

Note 9 - Related Party Transactions

During the year ended June 30, 2022, IT services totaling \$29,740 were provided by a company wherein a member of the Board of Directors plays a vital role in operations.

During the year ended June 30, 2022, administrative services totaling \$11,250 were provided by a member of the Board of Directors.

Note 10 - Litigations, Claims, and Disputes

AHH is subject to the usual contingencies in the normal course of operations relating to the performance of its tasks under its various programs. Management assesses the ultimate settlement of any litigations, claims, and disputes in process in determining whether a liability should be recorded, or a disclosure should be presented.