

**HANDS OF HOPE TUCSON
TUCSON, ARIZONA**

**FINANCIAL STATEMENTS
June 30, 2021 and 2020**

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1-2
FINANCIAL STATEMENTS	
Statement 1 - Statements of Financial Position	3
2 - Statements of Activities	4
3 - Statements of Cash Flows	5
4 - Statements of Functional Expenses	6
 Notes to Financial Statements	 7-12

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Board of Directors
Hands of Hope Tucson
Tucson, Arizona

Independent Auditor's Report

Report on the Financial Statements

I have audited the accompanying financial statements of Hands of Hope Tucson , an Arizona nonprofit corporation, which comprise the statements of financial position as of June 30, 2021 and 2020 and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and 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 the 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 of material misstatement.

An audit includes 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 error or fraud. 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 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 principles used and the reasonableness of significant 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 financial position of Hands of Hope Tucson as of June 30, 2021 and 2020 and the results of its operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

 Dana Meyer CPA, P.C.

Tucson, Arizona

September 6, 2021

STATEMENT 1

HANDS OF HOPE
STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2021 AND 2020

Assets	<u>June 30, 2021</u>	<u>June 30, 2020</u>
Current Assets		
Cash and equivalents	\$ 1,269,650	\$ 419,748
Cash and equivalents-restricted	394,994	5,100
Certificate of deposit	250,000	
Prepaid expenses	17,129	17,361
	<u>1,931,773</u>	<u>442,209</u>
Property and equipment:		
Buildings, improvements and land	437,199	839,200
Equipment	98,810	98,810
Accumulated depreciation	(143,688)	(283,640)
Property and equipment, net	<u>392,321</u>	<u>654,370</u>
Total assets	<u><u>\$ 2,324,094</u></u>	<u><u>\$ 1,096,579</u></u>
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 15,027	\$ 12,861
Accrued payroll, PTO and related taxes	28,984	51,129
Payroll Protection Loan payable		100,000
Total liabilities	<u>44,011</u>	<u>163,990</u>
Net Assets		
Without donor restrictions	1,885,089	927,489
With donor restrictions	394,994	5,100
Total net assets	<u>2,280,083</u>	<u>932,589</u>
Total liabilities and net assets	<u><u>\$ 2,324,094</u></u>	<u><u>\$ 1,096,579</u></u>

See Independent Auditor's Report.

The accompanying notes are an integral part of these financial statements.

STATEMENT 2

HANDS OF HOPE TUCSON
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
Years Ended June 30, 2021 and 2020

	Year Ended June 30, 2021		Year Ended June 30, 2020	
	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	With Donor Restrictions
Public support and other revenue				
Contributions	\$1,741,211	\$452,364	\$1,050,850	\$5,100
In-kind contributions	148,214		268,877	
Fees for services	1,780	1,780	13,958	
Special events, net of expenses of \$28,221 and \$74,789	38,237	38,237	74,979	
Interest and other income	832		5,292	
Gain on sale of building	255,435			
Payroll protection loan forgiveness:	100,000			
Releases from restrictions-purpose satisfied	62,470	(62,470)	1,000	(1,000)
Total support and revenue	2,348,179	389,894	1,414,956	4,100
Expenses				
Program:				
Intervention	757,718		701,835	
Prevention/Education	264,706		271,998	
Supporting services:				
General and Administrative	253,542		220,455	
Fundraising	114,613		142,042	
Total expenses	1,390,579		1,336,330	
Changes in net assets	957,600	389,894	78,626	4,100
Net assets, beginning of year	927,489	5,100	848,863	1,000
Net assets, end of year	\$1,885,089	\$394,994	\$927,489	\$5,100

See Independent Auditor's Report.

The accompanying notes are an integral part of these financial statements.

STATEMENT 3

HANDS OF HOPE TUCSON
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2021 and 2019

	<u>June 30, 2021</u>	<u>June 30, 2020</u>
Cash flows from operating activities		
Changes in net assets	\$ 1,347,494	\$ 82,726
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	37,785	37,452
PPP loan forgiveness	(100,000)	
Gain on sale of building	(255,435)	
Changes in operating assets and liabilities:		
Decrease in prepaid expenses	232	6,382
Increase (decrease) in accounts payable	2,166	(18,258)
(Decrease) increase in accrued payroll, PTO and related taxes	(22,145)	27,220
Net cash provided by operating activities	<u>1,010,097</u>	<u>135,522</u>
Cash flows from investing activities		
Purchases of property and equipment		(12,259)
Proceeds from sale of building	479,699	
Purchase of certificate of deposit	(250,000)	
Net cash provided by (used by) investing activities	<u>229,699</u>	<u>(12,259)</u>
Cash flows from financing activities		
Borrowing of PPP loan		100,000
Net cash provided by financing activities		<u>100,000</u>
Net change in cash and equivalents	1,239,796	223,263
Cash and equivalents at beginning of year	424,848	201,585
Cash and equivalents at end of year	<u>\$ 1,664,644</u>	<u>\$ 424,848</u>
Reported Components of Cash and Equivalents:		
Cash and equivalents	\$ 1,269,650	\$ 419,748
Cash and equivalents-restricted	394,994	5,100
	<u>\$1,664,644</u>	<u>\$47,270</u>
Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for interest	-	-
Cash paid during the year for income taxes	-	-
In-kind services and supplies received	<u>\$ 148,214</u>	<u>\$ 268,877</u>

See Independent Auditor's Report.

The accompanying notes are an integral part of these financial statements.

STATEMENT 4

HANDS OF HOPE TUCSON
STATEMENTS OF FUNCTIONAL EXPENSES
Years Ended June 30, 2021 and 2020

Programs

Year Ended June 30, 2021	<u>Programs</u>				<u>Totals</u>
	<u>Intervention</u>	<u>Prevention/ Education</u>	<u>General and Administrative</u>	<u>Fundraising</u>	
Payroll/contract labor	\$ 367,632	\$ 156,844	\$ 163,132	\$ 39,807	\$ 727,415
Payroll taxes & employee benefits	57,316	30,493	29,082	9,681	126,572
Charitable donations	12,650	12,000	100		24,750
Client basic need items	61,703				61,703
Depreciation	20,571	6,519	6,883	3,812	37,785
Insurance	4,955	1,847	2,096	262	9,160
Occupancy	8,937	5,327	5,251	35	19,550
Office expenses	9,708	8,083	4,026	1,823	23,640
Postage and printing	991	208	1,802	15,654	18,655
Professional fees	99,606	5,781	22,544	1,171	129,102
Promotion	59,400	5,577	1,902	29,296	96,175
Repairs and maintenance	20,816	4,896	5,047	24	30,783
Supplies	10,858	2,538	2,144	716	16,256
Telecommunications	5,072	2,881	3,270	284	11,507
Training/education and materials	9,169	15,062	157	347	24,735
Travel	2,585	1,031	949	662	5,227
Miscellaneous	5,749	5,619	5,157	11,039	27,564
TOTAL FUNCTIONAL EXPENSES	\$ 757,718	\$ 264,706	\$ 253,542	\$ 114,613	\$ 1,390,579

Programs

Year Ended June 30, 2020	<u>Programs</u>				<u>Totals</u>
	<u>Intervention</u>	<u>Prevention/ Education</u>	<u>General and Administrative</u>	<u>Fundraising</u>	
Payroll	\$ 242,516	\$ 160,939	\$ 147,186	\$ 46,243	\$ 596,884
Payroll taxes & employee benefits	32,971	28,971	17,587	5,594	85,123
Charitable donations	1,500	250	960		2,710
Client basic need items	17,145				17,145
Depreciation	27,860	5,390	3,432	770	37,452
Insurance	3,875	1,404	1,260	309	6,848
Occupancy	10,392	5,353	4,754	775	21,274
Office expenses	5,385	4,033	5,875	2,181	17,474
Postage and printing	3,196	2,360	2,313	12,268	20,137
Professional fees	254,929	3,142	12,430	2,139	272,640
Promotion	45,400	31,843	930	56,821	134,994
Repairs and maintenance	34,727	6,473	6,314	36	47,550
Supplies	10,541	680	3,308	103	14,632
Telecommunications	4,478	2,861	2,556	383	10,278
Training and materials	2,165	1,197	1,842	105	5,309
Travel	452	5,845	2,074	170	8,541
Miscellaneous	4,303	11,257	7,634	14,145	37,339
TOTAL FUNCTIONAL EXPENSES	\$ 701,835	\$ 271,998	\$ 220,455	\$ 142,042	\$ 1,336,330

See Independent Auditor's Report.

The accompanying notes are an integral part of these financial statements.

HANDS OF HOPE TUCSON
NOTES TO FINANCIAL STATEMENTS
June 30, 2021 and 2020

NOTE 1- NATURE OF OPERATIONS

Hands of Hope Tucson (the Organization) is a nonprofit corporation located in Tucson, Arizona and was originally incorporated April 8, 1981 under the laws of the State of Arizona as The Crisis Pregnancy Centers of Tucson, which was changed in 2017. The Organization is Christian based and is dedicated to promoting a culture of life, hope and healing by caring for women who are involved in an unplanned pregnancy. This is accomplished by revealing the truth about the unborn person, teaching sexual integrity, and offering a path to healing from an abortion experience. The Organization provides client services at its pregnancy center as well as at recovery retreats, youth educational programs and recovery support groups. On June 30, 2021 the Organization sold its administrative office building for approximately \$513,000 and consolidated its operations in with the pregnancy center. The Organization is an accredited member of the Evangelical Council for Financial Accountability.

NOTE 2-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Organization prepares its financial statements in accordance with generally accepted accounting principles promulgated in the United States of America (U.S. GAAP) for not-for-profit entities, in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-14, "Not-For-Profit Entities (Topic 958): Presentation of Financial Statements of Not-For-Profit Entities", as well ASU No. 2014-09, "Revenue from Contracts with Customers" (Topic 606). The significant accounting and reporting policies used by the Organization are described subsequently to enhance the usefulness and understandability of the financial statements.

RECENT NEW MAJOR ACCOUNTING PRONOUNCEMENTS

In February 2016, the FASB issued ASU No. 2016-02, "Leases" (topic 842), requiring lessees to recognize most leases on their balance sheets as lease liabilities with corresponding right-of-use assets and to disclose key information about lease agreements. The guidance is effective for entities' fiscal years beginning after December 15, 2021 and early adoption is permitted. The Organization is currently evaluating the impact of the pronouncement but does not anticipate the adoption will have a material impact on the financial statements.

USE OF ESTIMATES IN PREPARING FINANCIAL STATEMENTS

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities at the date of financial statements and the reported amounts of revenues and expenses during the reporting period. On an ongoing basis, the Organization's management evaluates the estimates and assumptions based upon historical experience and various other factors and circumstances. The Organization's management believes that the estimates and assumptions are reasonable in the circumstances, however, the actual results could differ from those estimates.

HANDS OF HOPE TUCSON
NOTES TO FINANCIAL STATEMENTS
June 30, 2021 and 2020

NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CASH EQUIVALENTS

The Organization considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

CERTIFICATE OF DEPOSIT

The certificate of deposit which matures September 13, 2021 is carried at cost which closely approximates fair market value.

PROPERTY AND EQUIPMENT

Property and equipment are reported at cost, if purchased, and at their fair value at the date of the donation, if donated. Items purchased or donated under \$5,000 are expensed. Maintenance and repairs that do not significantly increase the useful life of the asset are expensed as incurred. Depreciation is provided over the estimated useful lives of the respective assets using the straight-line method. Useful lives are generally 5 years for office equipment, 5 years for program equipment, 10-21 years for improvements, and 22 years for the pregnancy center.

NET ASSETS

Net assets are classified into one of two classes of net assets based on the existence or absence of donor-imposed restrictions as follows:

Net Assets Without Donor Restrictions

Net assets without donor restrictions are resources available to support operations. The only limits on the use of unrestricted net assets are the broad limits resulting from the nature of the Organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from agreements with grantor agencies and others entered into in the course of its operations.

Net Assets With Donor Restrictions

Net assets with donor restrictions include contributed net assets for which donors have imposed future time and particular purpose restrictions. The Organization's unspent contributions are classified in this class if the donor limited their use.

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.

ACCOUNTING FOR CONTRIBUTIONS

Contributions, including unconditional promises to give, are recognized when received at fair market value on the date of donation. All contributions are reported as increases in net assets

HANDS OF HOPE TUCSON
NOTES TO FINANCIAL STATEMENTS
June 30, 2021 and 2020

NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ACCOUNTING FOR CONTRIBUTIONS (continued)

without donor restrictions unless they are received with donor stipulations that limit the use of the donated assets. Amounts received that are restricted by the donor to use in future periods or for specific purposes are reported as increases in net assets with donor restrictions, consistent with the nature of the restriction.

Unconditional promises with payments due in future years have an implied restriction to be used in the year the payment is due, and therefore are reported as restricted until the payment is due unless the contribution is clearly intended to support activities of the current fiscal year or is received with permanent restrictions. Conditional promises, such as matching grants, are not recognized until they become unconditional, that is, until all conditions on which they depend are substantially met.

ACCOUNTING FOR GIFTS-IN-KIND CONTRIBUTIONS

The Organization periodically receives contributions in a form other than cash or investments. If the Organization receives a contribution of property or equipment, the contributed asset is recognized as an asset at its estimated fair value at the date of the gift, provided that the value of the asset and its estimated useful life meets the Organization's capitalization policy. Donated supplies are recorded as contributions at the date of the gift and as expenses when the donated items are placed into service or distributed.

The Organization benefits from personal services provided by a substantial number of volunteers that have donated significant amounts of time and services in the Organization's program operations and its fund-raising events. U.S. GAAP allows recognition of contributed services only if the donated services create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donations. The Organization received such donations of specialized time from physicians, nurses and sonographers for which it recorded \$89,488 and \$249,675 of donation income with offsetting program service expense during the years ended June 30, 2021 and 2020, respectively. However, the majority of other contributed services do not meet the criteria for recognition in the financial statements.

OTHER REVENUE AND EXPENSE RECOGNITION

Revenues from grants and special events are recognized as received. Expenses are recognized as incurred rather than paid.

PROMOTION COSTS

Promotion costs are expensed as incurred and totaled \$129,102 and \$134,994 for the years ended June 30, 2021 and 2020, respectively.

HANDS OF HOPE TUCSON
NOTES TO FINANCIAL STATEMENTS
June 30, 2021 and 2020

NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the programs and other activities are summarized on a functional basis. Accordingly, costs are allocated among programs and supporting services benefited. Such allocations are determined by management on an equitable basis.

The expenses that are allocated include the following:

<u>Expense</u>	<u>Method of Allocation</u>
Payroll, benefits and taxes	Time and effort
Depreciation	Usage
Dues and subscriptions	Full time equivalent
Professional fees	Full time equivalent
Telecommunications	Full time equivalent
Promotion	Time and effort
Office expenses	Full time equivalent
Repairs and maintenance	Full time equivalent
Occupancy	Square footage and usage
Insurance	Full time equivalent
Travel	Full time equivalent
Postage and printing	Full time equivalent
Supplies	Full time equivalent
Training/education and materials	Full time equivalent

TAX STATUS

The Organization is incorporated exempt from federal and state income taxes under Internal Revenue Code (IRC) Section 501(c)(3) and is not classified as a private foundation. Contributions to the Organization are tax deductible to donors under Section 170 of the IRC. Management believes that all tax positions the Organization has taken would be sustainable under audit by any taxing jurisdiction. The statute of limitations for tax examinations is three years for federal, four years for Arizona.

NOTE 3 – CERTIFICATE OF DEPOSIT

The certificate of deposit is carried at its face value cost from First Federal Savings Bank of Evansville and earns .02%. It matures September 13, 2021.

HANDS OF HOPE TUCSON
NOTES TO FINANCIAL STATEMENTS
June 30, 2021 and 2020

NOTE 4- COVID-19 PANDEMIC AND PAYROLL PROTECTION PROGRAM LOAN

During 2020 the world, including the United States, was hit with a severe outbreak of the novel corona virus (COVID-19) which resulted in all but designated essential businesses to remain open, created stay at home orders for most of the citizens, and created required social distancing rules and regulations. The Organization's services were considered essential and therefore continued on a reduced basis.

To insure the Organization could continue to meet its payroll obligations to its staff it applied for and received a federal Payroll Protection Program loan on May 4, 2020 in the amount of \$100,000. This newly created special loan program through the Small Business Administration had provision in it that allows for a substantial portion, if not all, of the loan to be forgiven if the Organization met certain payroll and operating requirements, which the Organization did meet. As a result the loan was formally forgiven on March 24, 2021.

NOTE 5 – NET ASSETS WITH DONOR RESTRICTIONS

The net assets with donor restrictions were restricted for the following purposes as of June 30:

	<u>2021</u>	<u>2020</u>
Tech equipment		\$5,000
Mobile medical unit	<u>\$394,994</u>	<u>100</u>
	<u>\$394,944</u>	<u>\$5,100</u>

NOTE 6- AGREEMENTS; COMMITMENTS

In 2018 the Organization purchased a building out of which it operates its medical program services subject to a land lease that continues through February 2040. The Organization is a member of the owners association of the medical complex in which its building is located which currently requires monthly assessments of \$796, including the land lease charge.

In January of 2020 the Organization entered into a mobile medical unit agreement with Save the Storks (Storks), a Colorado based nonprofit organization, whereby Storks provided \$250,000 towards a mobile medical unit and training for the employees that would staff it. The Organization was required to pay a \$10,000 affiliation fee to Storks and will receive the mobile medical unit when it is completed, currently on order at the manufacturer at a cost of \$382,530.

NOTE 7 – CONCENTRATIONS OF RISK

At times the Organization has cash funds deposited at single financial institutions in excess of the \$250,000 FDIC insured limits. There were such excesses in the amounts \$1,003,546 and \$79,713 as of June 30, 2021 and 2020, respectively.

HANDS OF HOPE TUCSON
NOTES TO FINANCIAL STATEMENTS
June 30, 2021 and 2020

NOTE 7 – CONCENTRATIONS OF RISK (continued)

Three donors donated a total of \$1,201,887 or approximately 55% of all donation revenue for the year ended June 30, 2021. Two donors donated a total of \$220,500 or approximately 21% of all donation revenue for the year ended June 30, 2020.

NOTE 8- RETIREMENT PLAN

The Organization sponsors a SIMPLE retirement plan, whereby it will match up to 3% of employee contributions. During the years ended June 30, 2021 and 2020 the Company made \$9,383 and \$10,377, respectively, in matching contributions.

NOTE 9 – SUBSEQUENT EVENTS

Subsequent events have been evaluated through September 6, 2021, the date the report was made available for issuance. Events occurring after that date have not been evaluated to determine whether a change to the financial statements would be required.

NOTE 10– LIQUIDITY

Financial assets as of June 30, 2021	\$ 1,914,644
Less those unavailable for general expenditures within one year, due to:	
Contractual or donor-imposed restrictions:	
Property land lease commitment	(9,552)
Subject to appropriation and satisfaction of donor restrictions	<u>(394,994)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$1,510,098</u>

The Organization is partially supported by restricted contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Organization must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due. In addition, the Organization invests cash in excess of immediate and very short-term projected requirements in short-term investments. These short-term, liquid investments may be used to fulfil needs resulting from events outside the typical life cycle of converting financial assets to cash or settling financial liabilities. In the event of an unanticipated liquidity need, the Organization also could conduct an appeal.

These notes are an integral part of the accompanying financial statements.