

**HELPING HAND FOR RELIEF AND
DEVELOPMENT, INC.**

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2017

HELPING HAND FOR RELIEF AND DEVELOPMENT, INC.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Helping Hand for Relief
and Development, Inc.
Southfield, Michigan

We have audited the accompanying consolidated financial statements of Helping Hand for Relief and Development, Inc. (a nonprofit organization) and its affiliates (the Organization), which comprise the consolidated statement of financial position as of December 31, 2017 and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We did not audit the financial statements of Helping Hand for Relief & Development, Pakistan, Helping Hand for Relief & Development, Jordan, Helping Hand for Relief & Development, Afghanistan and Helping Hand for Relief & Development, Nepal, affiliates, which statements reflect total assets of 44% as of December 31, 2017, and the total support and revenues of 46% for the year then ended as related to consolidated totals. Those statements were audited by other auditors in accordance with International Auditing Standards, whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for affiliates operations, is based solely on the reports of and additional audit procedures to meet the relevant requirements of auditing standards generally accepted in the United States of America, performed by, the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the consolidated 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.

Independent Auditor's Report
(Continued)

Auditor's Responsibility (Continued)

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 consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As described in Note 12, we were unable to obtain US GAAP based audited financial statement for Helping Hand for Relief and Development, Africa affiliate, which statements reflect total assets of 8% as of December 31, 2017 and the total support and revenue of 10% for the year then ended as related to consolidated totals. We were unable to obtain sufficient and appropriate audit evidence about this affiliate by other auditing procedures.

Opinion

In our opinion based on our audit and the reports of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2017, 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.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The consolidated statement of functional expenses, consolidating statement of financial position and consolidating statement of activities as identified in the table of contents are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating statement of financial position and consolidating statement of activities, which in so far as it relates to all Subsidiaries is mentioned above, is based on the reports of other auditors, is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Alan C. Young & Assoc.

Detroit, Michigan
March 19, 2019

HELPING HAND FOR RELIEF AND DEVELOPMENT, INC.

Consolidated Statement of Financial Position
December 31, 2017

ASSETS

Current Assets

Cash and Cash Equivalents (Note 2)	\$	14,799,780
Investments (Note 3)		644,832
Accounts Receivable		1,462,940
Microfinance Loan, Net of Allowance (Note 5)		814,353
Inventory (Note 1)		9,736,726
Prepaid Expenses		103,640
Other Current Assets		1,578,795
Total Current Assets		<u>29,141,066</u>

Fixed Assets (Note 4)

Land		873,001
Other Fixed Assets		3,434,996
Less: Accumulated Depreciation		<u>(1,228,593)</u>
Total Fixed Assets		<u>3,079,404</u>

Other Assets

Long-term Investment		271,307
Security Deposit		3,900
Total Other Assets		<u>275,207</u>

Total Assets	\$	<u><u>32,495,677</u></u>
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LIABILITIES AND NET ASSETS

Current Liabilities

Accounts Payable		817,727
Accrued Liability		133,410
Total Current Liabilities		<u>951,137</u>

Total Liabilities		<u>951,137</u>
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Net Assets

Unrestricted		814,910
Temporarily Restricted (Note 7)		30,729,630
Total Net Assets		<u>31,544,540</u>

Total Liabilities and Net Assets	\$	<u><u>32,495,677</u></u>
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The accompanying notes are an integral part of these financial statements.

HELPING HAND FOR RELIEF AND DEVELOPMENT, INC.

Consolidated Statement of Activities Year Ended December 31, 2017

SUPPORT AND REVENUE	Unrestricted	Temporarily Restricted	Total
Contributions from Public	\$ 2,067,845	\$ 27,912,853	\$ 29,980,698
In-Kind Revenue	-	30,559,868	30,559,868
Miscellaneous Income	180,970	-	180,970
Net Assets Released from Restrictions:			
Satisfaction of Service Restrictions (Note 7)	46,856,216	(46,856,216)	-
Total Support and Revenue	49,105,031	11,616,505	60,721,536
EXPENSES			
Program Services:			
Education	1,709,218	-	1,709,218
Health and Medical	3,118,689	-	3,118,689
Orphans	4,992,560	-	4,992,560
Emergency	4,256,462	-	4,256,462
Water for Life	1,229,003	-	1,229,003
Community Development	1,569,736	-	1,569,736
Seasonal	2,891,949	-	2,891,949
In-Kind	27,088,599	-	27,088,599
Total Program Services	46,856,216	-	46,856,216
Supporting Services:			
Management and General	1,637,078	-	1,637,078
Fund Raising	853,642	-	853,642
Total Supporting Expenses	2,490,720	-	2,490,720
Total Expenses	49,346,936	-	49,346,936
Operating Income/Loss	(241,905)	11,616,505	11,374,600
Other Non-Operating Income/(Expenses)			
Unrealized Loss	(98,722)	-	(98,722)
Shop N Help Income	2,126	-	2,126
Shop N Help Expenses	(2,391)	-	(2,391)
Amortization of Income	257,351	-	257,351
Rehabilitation Infrastructure Fund	(59,617)	-	(59,617)
Micro Finance Portfolio	(184,659)	-	(184,659)
Prime Minister Interest Free Loan Fund	97,464	-	97,464
Disaster Management and Logistics Center Fund	(13,076)	-	(13,076)
Endowment Fund	198,982	-	198,982
Gain on Sale of Asset	10,260	-	10,260
Total Non-Operating Income/(Expenses)	207,718	-	207,718
Change in Net Assets	(34,187)	11,616,505	11,582,318
Net Assets - Beginning of Year as Restated (Note 9)	1,201,670	19,113,125	20,314,795
Adjustment per ASC 830 (Note 1)	(352,573)	-	(352,573)
Net Assets - End of Year	\$ 814,910	\$ 30,729,630	\$ 31,544,540

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

HELPING HAND FOR RELIEF AND DEVELOPMENT, INC.

Consolidated Statement of Cash Flows
Year Ended December 31, 2017

CASH FLOWS FROM OPERATING ACTIVITIES

Change in Net Assets	\$ 11,582,318
Adjustments to Reconcile Change in Net Assets to Cash Provided by Operations:	
Unrealized Loss	151,520
Amortization of Income	(257,351)
Depreciation	260,298
Gain on Disposal of Asset	(7,897)
Provision for Doubtful Receivables	184,096
Change in:	
Accounts Receivable	(162,345)
Other Current Assets	(1,282,442)
Inventory	(3,620,646)
Prepays	19,089
Accounts Payable	322,170
Accrued Expenses	(394,070)
Other Assets	(117,957)
Net Cash Provided by Operating Activities	<u>6,676,783</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of Investments	(182,207)
Purchase of Fixed Assets	(785,462)
Disposal of Fixed Assets	14,073
Net Cash Used in Investing Activities	<u>(953,596)</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Repayment of Borrowings	(5,378)
Net Cash Used in Financing Activities	<u>(5,378)</u>

Increase in Cash	5,717,809
Effect of Currency Exchange Rate	(74,049)
Cash and Cash Equivalents - Beginning of Year	<u>9,156,020</u>
Cash and Cash Equivalents - End of Year	<u><u>\$ 14,799,780</u></u>

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

HELPING HAND FOR RELIEF AND DEVELOPMENT, INC.

Notes to the Consolidated Financial Statements
December 31, 2017

1) NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The consolidated financial statements included are those of Helping Hand for Relief & Development – USA, Helping Hand for Relief & Development – Pakistan, Helping Hand for Relief & Development – Africa, Helping Hand for Relief & Development – Jordan, Helping Hand for Relief & Development – Afghanistan and Helping Hand for Relief & Development – Nepal; hereby referred to as “the Organization”. Helping Hand for Relief & Development – USA has control and economic relationships with the aforementioned five foreign entities. All the significant intercompany accounts and transactions have been eliminated in consolidation.

Nature of Activity

Helping Hand for Relief and Development, Inc. is a nonprofit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. It was incorporated in the State of New York in 1998. The Organization is registered in all 50 states to solicit public funds. The Pakistan organization was established under a different name in 1991 which was changed to Helping Hand for Relief & Development in 2005. The East Africa (Kenya, Uganda, Tanzania, Somalia, South Africa) and Jordan organizations were established in the years 2011 and 2013, respectively. In 2014, the Afghanistan Organization was established. The Organization is involved in the relief and development for individuals and communities, especially in emergency and disaster situations anywhere in the world, with special focus on needy people in Asia and Africa. Its major activities include reconstruction and rehabilitation of the disaster affected areas, mainly by providing Emergency Relief, Food, Shelter, Vocational and Skills Development, Education, Water for Life, Orphans & Widows Support Program, Health facilities and Economic Empowerment & Livelihood Programs. Helping Hand for Relief and Development Nepal (HHRDN) is the local representation of Helping Hand for Relief and Development (HHRD) US. It is registered with Social Welfare Council of Nepal.

The Organization operates the following programs:

Education – Initiation of educational projects for the restoration of educational facilities for disaster affected children and sponsoring of orphan children and needy children for education.

Health and Medical Services – Involves the improvement of individual and community health through education, immunization and other preventive measures. It also includes the operation or funding of mobile clinics, physical rehabilitation centers and renovation of the existing health care infrastructure; health and hygiene education services and ambulance services.

Orphan Support Program – Operates in different countries and focuses on assisting children in needy situations by providing education and other facilities.

HELPING HAND FOR RELIEF AND DEVELOPMENT, INC.

Notes to the Consolidated Financial Statements (Continued)
December 31, 2017

1) NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Emergency Services – Providing immediate support to people affected in natural and man-made disasters/emergencies by providing rehabilitation and developmental relief and services, reconstruction of houses in such areas, and other voluntary support.

Water for Life – Sponsoring projects for providing clean water/hand pumps, reconstruction of infrastructure of water supply, especially in the areas affected by natural disasters.

Community Development – Encouraging active involvement by engaging people, local and abroad, to engage in enhancing communities through public advocacy and volunteerism. The provision of ways for needy individuals and their communities to sustain themselves and to improve their quality of life; and assistance in reviving the economies of communities devastated by natural and man-made disasters. Facilitating and supporting livelihood opportunities and micro-enterprise development for poverty alleviation through provision of interest free micro financing.

Seasonal – Help marginalized families enjoy the celebration of Eid al-Fitr and Adha through food and meat distribution as well as to provide winter support for families in need.

Fundraising – Provides the structure necessary to encourage and secure support from individuals and other organizations.

The Organization also operates stores under the business name “Shop N’ Help” at two locations in the U.S. These stores sell handcrafted items made at the Skill Development Centers operated by the Organization at its overseas locations. The revenue and expenses for the stores during the year was \$2,126 and \$2,391, respectively.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Financial Statement Presentation

The Organization follows the Financial Accounting Standards Board in its Statement of Financial Accounting Standards, Financial Statements for Not-For-Profit Organizations under which the Organization is required to report information regarding the financial position and activities according to three classes of net assets, unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

HELPING HAND FOR RELIEF AND DEVELOPMENT, INC.

Notes to the Consolidated Financial Statements (Continued)
December 31, 2017

1) NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

To ensure proper usage of restricted and unrestricted assets, the Organization maintains its accounting according to fund accounting principles. The assets liabilities and net assets are classified in accordance with specified restrictions and objectives. The Organization's funds are described below and are placed in the following categories:

Unrestricted Fund – Unrestricted net assets are those currently available for use of the Organization's Board.

Temporarily Restricted Fund – Temporarily restricted net assets are those assets received with donor stipulations that limit the use of the donated assets. When stipulated time restrictions expire or purpose restrictions are accomplished, these net assets are reclassified as unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

During the year, there were no permanently restricted net assets.

Foreign Currency Translation

As per ASC 830 assets and liabilities denominated in foreign currencies are translated into U.S. dollars at the exchange rate in effect on reporting dates, and revenues and expenses are translated at rates that approximate the average rate for the period in which the transactions occurred. Net transaction and translation gains and losses are included in the accompanying statements of activities in the non-operating revenue and expenses section as foreign currency exchange gain or loss.

Contributions

In accordance with FASB Accounting Standards Codification Subtopic 958-605, *Revenue Recognition*, contributions are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence or nature of any donor restrictions.

According to the Standard, certain restricted contributions are required to be reported as temporarily restricted support and are then reclassified to unrestricted net assets upon expiration of the donor restrictions. Contributions are recorded as made. All contributions are available for unrestricted use unless specifically restricted by the donor.

HELPING HAND FOR RELIEF AND DEVELOPMENT, INC.

Notes to the Consolidated Financial Statements (Continued)
December 31, 2017

1) NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounts Receivable and Allowance for Doubtful Accounts

On a periodic basis, the Organization evaluates receivable balances and establishes an allowance for doubtful accounts, based on history of past write-offs, age of the receivables, collections and current economic considerations. Accounts receivable are written off against the allowance for doubtful accounts when all reasonable collection efforts have been exhausted. Management has determined that all accounts receivable are collectible and there is no need of an allowance at December 31, 2017.

Functional Allocation of Expenses

The cost of providing the various programs and other activities has been summarized on a program basis in the statement of activities.

Costs are allocated between fund raising, management and general and the appropriate program based on evaluations of the related benefits. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide the overall support and direction of the Organization.

Cash and Cash Equivalents

Cash includes cash on hand and cash in checking and savings accounts. For financial statement purposes, the Organization considers all highly liquid debt instruments purchased with maturity of three months or less to be cash equivalents. Cash equivalents are carried at cost, which approximates market value.

Fixed Assets

The Organization capitalizes all expenditures for property and equipment in excess of \$500. Purchased property and equipment are carried at cost. Depreciation is recorded on a straight-line basis over the estimated useful life of the asset.

Fair Value Measurements

The Organization uses fair value measurements in the preparation of its financial statements, which utilize various inputs, including those that can be readily observable, corroborated, or are generally unobservable. The Organization utilizes market-based data and valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Additionally, the Organization applies assumptions that market participants would use in pricing an asset or liability, including assumptions about risk.

HELPING HAND FOR RELIEF AND DEVELOPMENT, INC.

Notes to the Consolidated Financial Statements (Continued)
December 31, 2017

1) NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements (Continued)

ASC 820 establishes a framework for measuring fair value, which includes a hierarchy based on the quality of inputs used to measure fair value, and provides specific disclosure requirements based on the hierarchy, ASC 820 requires the categorization of financial assets and liabilities, based on the inputs to valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets and liabilities and the lowest priority to unobservable inputs.

The various levels of the ASC 820 fair value hierarchy are described as follows:

- **Level 1** – Financial assets and liabilities whose values are based on unadjusted quoted market prices for identical assets and liabilities in an active market that the Organization has the ability to access.
- **Level 2** – Financial assets and liabilities whose values are based on quoted prices in markets that are not active or model inputs that are observable for substantially the full term of the asset or liability.
- **Level 3** – Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement.

ASC 820 requires the use of observable market data, when available, in making fair value measurements. When inputs used to measure fair value fall within different levels of the hierarchy, the level within which the fair value measurement falls is categorized.

Following is the description of the valuation methodologies used for assets measured at fair value:

Equity: The net market value of the securities is on the settlement date basis, including short positions, at the close of the statement period and is obtained from independent vendor services.

Mutual Funds: These funds primarily invest in Growth and Income Funds that invests only in common stocks, including foreign stocks. The Growth Fund diversifies its investments across industries and companies, and principally follows a large-cap value investment style.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. This will affect the reported amounts of assets and liabilities, disclosure of contingent 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 these estimates.

HELPING HAND FOR RELIEF AND DEVELOPMENT, INC.

Notes to the Consolidated Financial Statements (Continued)
December 31, 2017

1) NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Concentrations of Risk and Significant Sources of Revenue

Contributions from individuals, corporations, businesses and in-kind contributions currently account for the significant sources of public support and revenue.

Fund-Raising

The total cost for fund raising activities for the organization was \$853,642 for the year ended December 31, 2017.

Income Taxes

The Organization adopted the FASB Accounting Standards Codification Topic *Accounting for Uncertainty in Income Taxes*, which addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under this guidance, the Organization may recognize the tax benefit from an uncertain tax position only if it is more-likely than-not that the tax position will be sustained on examination by taxing authorities, based on technical merits of the position. The tax benefits recognized in the financial statements from such as position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. The guidance on accounting for uncertainty in income taxes also addressed de-recognition, classification, interest and penalties on income taxes, and accounting in interim periods. The Organization is undergoing an audit under IRS for 2016. The Organization does not expect the results from IRS audit to have a material impact on the Organization's consolidated financial position, statement of activities or cash flows.

Inventory

The Organization has three types of inventory on hand at December 31, 2017. This includes (1) priced inventory items for sale at "Shop N' Help" stores; (2) inventory of donated items in kind; and (3) inventory of items used in emergency relief program.

The Organization utilizes three inventory valuation methods during the year ended December 31, 2017. These methods include: (1) current price located on a publicly available website if the inventory item is a match for the website item when donated; (2) Salvation Army prices if the donated items are used (not new); (3) lower of the cost or net realizable value if items are for sale.

At December 31, 2017, the Organization had \$9,603,364 in in-kind inventory, \$59,081 in "Shop N' Help" inventory and \$74,281 in inventory of items used in emergency relief program.

HELPING HAND FOR RELIEF AND DEVELOPMENT, INC.

Notes to the Consolidated Financial Statements (Continued)
December 31, 2017

1) NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In-Kind

Donated marketable securities, property and equipment and other non-cash donations are recorded as contributions at their fair values at the date of donation.

During 2017, the Organization received \$30,559,868 in in-kind donations.

No amounts have been reflected in the financial statements for donated services. The Organization generally pays for services requiring specific expertise. However, many individuals volunteer their time and perform a variety of task that assist the Organization with specific assistance program, campaign, solicitations and various committee assignments.

2) CASH AND CASH EQUIVALENTS

The total cash held by the Organization at December 31, 2017, includes \$1,000,000 in monies that are covered by insurance provided by the U.S. federal government.

3) INVESTMENTS

Investments consist of Mutual Funds and equities and are carried at fair value at December 31, 2017. The investments are considered Level 1.

	Fair Value Measurements			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)	Total
Equity	\$ 30,105	\$ -	\$ -	\$ 30,105
Mutual Funds	614,727	-	-	614,727
Total	<u>\$ 644,832</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 644,832</u>

HELPING HAND FOR RELIEF AND DEVELOPMENT, INC.

Notes to the Consolidated Financial Statements (Continued)
December 31, 2017

4) FIXED ASSETS

The fixed assets as of December 31, 2017 are comprised of the following:

	<u>Amount</u>
Non Depreciable Assets	
Land	\$ 873,001
Total Non Depreciable Assets	<u>873,001</u>
Depreciable Assets	
Building	1,985,320
Computers	400,325
Office Equipment	298,780
Furniture, Fixtures & Equipment	308,925
Medical Equipment	54,690
Vehicles	386,956
Total Depreciable Assets	<u>3,434,996</u>
Total Assets	4,307,997
Less: Accumulated Depreciation	(1,228,593)
Total Fixed Assets	<u>\$ 3,079,404</u>

5) MICROFINANCE LOANS

Notes Receivable includes \$995,900 of interest-free loans issued in HHRD-Pakistan which are due within a year. These loans are provided to the needy under Islamic mode of financing.

The Organization applies ASC Topic 310, Receivables, for financing these receivables and the corresponding allowances for losses. Allowances for estimated losses are established based on prior collection experience and observed trends in the rate of default, as well as a consideration of current economic trends and indicators. Loan balances are written off when they are deemed to be ultimately uncollectible. The allowance for the year ended December 31, 2017 was \$181,547.

6) CONTINGENCIES

The Organization is exposed to various contingent liabilities which are not reflected in the accompanying financial statements. The Organization's management is of the opinion that insurance coverage is adequate to cover any potential losses. No such liabilities have been asserted, and therefore, no estimation of loss has been made.

HELPING HAND FOR RELIEF AND DEVELOPMENT, INC.

Notes to the Consolidated Financial Statements (Continued)
December 31, 2017

7) TEMPORARILY RESTRICTED NET ASSETS

Net assets released from restrictions by incurring expenses satisfying the purpose specified by the donors for the year ended December 31, 2017 were as follows:

<u>Program</u>	<u>Amount</u>
Education	\$ 1,709,218
Health & Medical	3,118,689
Orphans	4,992,560
Emergency	4,256,462
Water for Life	1,229,003
Community Development	1,569,736
Seasonal	2,891,949
In-Kind	27,088,599
	<u>\$ 46,856,216</u>

Temporarily restricted net assets available for specific programs as of December 31, 2017 were \$30,729,630.

<u>Program</u>	<u>Amount</u>
Zakat	\$ 4,379,863
Education	49,097
Orphans	2,728,209
Emergency	10,076,763
Water for Life	1,171,552
Community Development	2,720,782
In-Kind	9,603,364
	<u>\$ 30,729,630</u>

8) SUBSIDIARY ENTITIES

The Organization is required to consolidate certain entities under the guidance of Financial Accounting Standards Board (FASB) ASC Topic 810, *Consolidation*. However, the Organization has limitations on the use of the assets and is not directly obligated for the liabilities of these consolidated subsidiaries under the laws in place in the foreign jurisdiction of each of these subsidiaries.

HELPING HAND FOR RELIEF AND DEVELOPMENT, INC.

Notes to the Consolidated Financial Statements (Continued)
December 31, 2017

9) PRIOR PERIOD ADJUSTMENT

During the current year, the Organization identified certain errors in the previously reported unrestricted net asset balance of its Africa subsidiary which resulted in unrestricted net assets being overstated by \$248,511. To correct this error, a prior period adjustment is made to properly state the beginning net assets for the fiscal year 2017.

	<u>Unrestricted Net Assets</u>	<u>Temporarily Restricted Net Assets</u>	<u>Total</u>
As Previously Reported at 12/31/2016	\$ 1,201,670	\$ 19,361,636	\$ 20,563,306
Prior Period Adjustment	-	(248,511)	(248,511)
Amounts as Restated, 12/31/2016	<u>\$ 1,201,670</u>	<u>\$ 19,113,125</u>	<u>\$ 20,314,795</u>

10) OPERATING LEASES

The Organization leases facilities under non-cancelable operating lease agreements that expire at various dates through 2021 for its US operations. Monthly lease payments range from approximately \$900 to \$3,000. In addition, the Organization must pay other costs including utilities, insurance, and common area maintenance on certain leases.

Future minimum lease payments under non-cancelable operating leases that have initial or remaining lease terms in excess of one year are scheduled as follows for the five years subsequent to December 31, 2017, and thereafter:

<u>Years Ending December 31,</u>	<u>Total Payments</u>
2018	\$ 312,473
2019	262,154
2020	126,432
2021	1,100
Total	<u>\$ 702,159</u>

11) NEW ACCOUNTING PRONOUNCEMENTS

Financial reporting for not-for-profit (NFP) entities is about to experience a sea change under three new accounting standards. Issued by FASB after more than a decade of deliberation, two will be effective for most NFP's in 2019 – Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers (Topic 606), and ASU 2016-02 Leases (Topic 842). The third, ASU 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities, is effective for 2018.

HELPING HAND FOR RELIEF AND DEVELOPMENT, INC.

Notes to the Consolidated Financial Statements (Continued)
December 31, 2017

11) NEW ACCOUNTING PRONOUNCEMENTS

The Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, Revenue from Contracts with Customers (Topic 606), in May 2014. The objectives of this ASU are to improve upon revenue recognition requirements by providing a single comprehensive model to determine the measurement of revenue and timing of recognition. The core principle is that an entity will recognize revenue to depict the transfer of goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services. This ASU also requires expanded qualitative and quantitative disclosures regarding the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers.

The FASB issued ASU 2016-02, Leases (Topic 842), in February 2016. ASU 2016-02 requires the recognition by lessees of assets and liabilities that arise from all lease transactions, except for leases with a lease term of 12 months or less. The lessee accounting model under ASU 2016-02 retains two types of leases: finance leases, which are to be accounted for in substantially the same manner as the existing accounting for capital leases, and operating leases, which are to be accounted for (both in the statements of activities and the statements of cash flows) in a manner consistent with existing accounting for operating leases. ASU 2016-02 also requires expanded qualitative and quantitative disclosures regarding the amount, timing, and uncertainty of cash flows arising from leases.

The FASB issued ASU 2016-14, Presentation of Financial Statements of Not For-Profit Entities, in August 2016. ASU 2016-14 modifies the requirements related to financial statement presentation for non-profit organizations. The major provisions of ASU 2016-14 are as follows:

- Information about net assets and changes in net assets will be reported for two classes of net assets: net assets with donor restrictions and net assets without donor restrictions.
- Reporting of expenses by both function and nature in one location will be required for all non-profit organizations.
- Either the direct method or the indirect method for presenting operating cash flows may continue to be used, but the requirement for those entities using the direct method to prepare a reconciliation with the indirect method will be eliminated.
- Quantitative information that communicates the availability of the organization's financial assets as of the statement of financial position date to meet cash needs for general expenditures within one year will be required to be presented on the face of the financial statements or in the notes to the financial statements.
- Qualitative information on how the organization manages its liquid available resources and liquidity risks will be required to be disclosed in the notes to the financial statements.
- Reporting of the "underwater" amounts of donor-restricted endowment funds in net assets with donor restrictions and enhanced disclosures about "underwater" endowments will be required.
- Other enhanced disclosures regarding board designations and appropriations, the nature of net assets with donor restrictions, and functional expense allocation methods will also be required.

HELPING HAND FOR RELIEF AND DEVELOPMENT, INC.

Notes to the Consolidated Financial Statements (Continued)
December 31, 2017

12) AUDITED FINANCIAL STATEMENTS OF AFFILIATE

The US GAAP based financial statements of Helping Hand for Relief and Development, Africa, one of the affiliates of the Organization was not available for our review for the year ended December 31, 2017. The affiliate covers 8% of the total assets and 10% of total support and revenue in the accompanying consolidated financial statements. Due to lack of audited information, an Emphasis of Matter paragraph has been added in the Independent Auditor's Report.

13) SUBSEQUENT EVENTS

The Organization evaluated all subsequent events through March 19, 2019, the date the financial statements were available to be issued. No subsequent event was noted that required adjustments or disclosures in the financial statements.

OTHER SUPPLEMENTARY SCHEDULES

HELPING HAND FOR RELIEF AND DEVELOPMENT, INC.

Consolidated Statement of Functional Expenses Year Ended December 31, 2017

Expenditures	Education	Health and Medical	Orphans	Emergency	Water for Life	Community Development
Program Expenditure-USA	\$ 99,370	\$ 155,000	\$ 728,243	\$ 344,393	\$ 25,385	\$ 501,399
In-Kind Expenses	118,037	-	-	856,260	-	-
Salaries and Wages	429,687	750,722	871,595	708,903	395,623	23,362
Contractors	22,101	57,697	97,630	114,374	54,621	5,098
Payroll Taxes and Processing	13,525	34,287	57,626	121,451	32,459	3,030
Employee Benefits	1,383	3,507	5,894	12,423	3,320	310
Legal and Professional	-	-	-	-	-	-
Advertising and Marketing	49,956	95,944	127,640	269,008	71,895	6,710
Fundraising	48,815	302,269	207,992	568,356	117,155	10,934
Telephone and Internet Regional Staff	3,130	7,935	13,337	28,108	7,512	701
Travel	20,329	51,538	86,621	240,669	48,791	4,554
Postage	-	20,870	31,494	85,742	19,758	1,844
Insurance	31,910	80,897	135,964	286,553	76,584	7,148
Office Expenses	21,966	55,688	93,596	197,258	52,719	4,920
Bank, Credit Card and Service Charges	11,563	29,314	49,269	103,837	27,752	2,590
Miscellaneous	11,240	28,496	47,893	100,938	26,977	2,518
Depreciation	-	-	-	-	-	-
Pakistan Operations	473,697	1,389,422	1,374,364	118,028	40,650	441,336
Africa Operations	73,394	55,103	304,111	51,897	188,201	-
Jordan Operations	279,115	-	658,496	48,264	-	526,057
Afghanistan Operations	-	-	89,688	-	39,601	27,225
Nepal Operations	-	-	11,107	-	-	-
Total	\$ 1,709,218	\$ 3,118,689	\$ 4,992,560	\$ 4,256,462	\$ 1,229,003	\$ 1,569,736

HELPING HAND FOR RELIEF AND DEVELOPMENT, INC.

Consolidated Statement of Functional Expenses (Continued) Year Ended December 31, 2017

Expenditures	Seasonal	In-Kind Program	Total Program Services	Management & General	Fund Raising	Total Expenditures
Program Expenditure- USA	\$ 751,749	\$ 4,870,900	\$ 7,476,439	\$ -	\$ -	\$ 7,476,439
In-Kind Expenses	517,255	-	1,491,552	-	-	1,491,552
Salaries and Wages	113,677	-	3,293,569	155,302	272,542	3,721,413
Contractors	13,655	-	365,176	88,049	98,893	552,118
Payroll Taxes and Processing	8,115	-	270,493	36,259	55,843	362,595
Employee Benefits	830	-	27,667	3,709	5,712	37,088
Legal and Professional	-	-	-	204,575	-	204,575
Advertising and Marketing	17,974	-	639,127	-	69,069	708,196
Fundraising	29,289	-	1,284,810	-	65,432	1,350,242
Telephone and Internet Regional Staff	1,878	-	62,601	5,217	36,518	104,336
Travel	12,198	-	464,700	33,882	107,177	605,759
Postage	4,939	-	164,647	13,721	96,045	274,413
Insurance	19,146	-	638,202	217,308	-	855,510
Office Expenses	13,180	-	439,327	149,592	-	588,919
Bank, Credit Card and Service Charges	6,938	-	231,263	127,527	-	358,790
Miscellaneous	6,744	-	224,806	30,136	46,411	301,353
Depreciation	-	-	-	32,778	-	32,778
Pakistan Operations	263,383	6,930,857	11,031,737	222,600	-	11,254,337
Africa Operations	271,725	4,411,175	5,355,606	69,886	-	5,425,492
Jordan Operations	798,009	10,875,667	13,185,608	221,662	-	13,407,270
Afghanistan Operations	41,265	-	197,779	12,356	-	210,135
Nepal Operations	-	-	11,107	12,519	-	23,626
Total	\$ 2,891,949	\$ 27,088,599	\$ 46,856,216	\$ 1,637,078	\$ 853,642	\$ 49,346,936

HELPING HAND FOR RELIEF AND DEVELOPMENT, INC.

Consolidating Statement of Financial Position Year Ended December 31, 2017

	United States	Pakistan	Africa	Afghanistan	Jordan	Nepal	Eliminations	Consolidated
ASSETS								
Current Assets								
Cash and Cash Equivalents (Note 2)	\$ 10,213,360	\$ 3,494,693	\$ 734,094	\$ 73,210	\$ 284,423	\$ -	\$ -	\$ 14,799,780
Investments (Note 3)	644,832	-	-	-	-	-	-	644,832
Accounts Receivable	981,547	446,138	35,255	-	-	-	-	1,462,940
Microfinance Loan, Net of Allowance (Note 5)	-	814,353	-	-	-	-	-	814,353
Inventory (Note 1)	3,233,201	3,277,432	1,595,263	-	1,630,830	-	-	9,736,726
Prepaid Expenses	9,217	41,862	6,184	1,881	44,496	-	-	103,640
Other Current Assets	151,636	1,371,136	5,917	-	17,733	32,373	-	1,578,795
Receivable from Subsidiaries	18,777,655	-	-	-	-	-	(18,777,655)	-
Total Current Assets	34,011,448	9,445,614	2,376,713	75,091	1,977,482	32,373	(18,777,655)	29,141,066
Fixed Assets (Note 4)								
Land	48,129	824,872	-	-	-	-	-	873,001
Fixed Assets	485,898	2,733,498	76,954	-	136,873	1,773	-	3,434,996
Less: Accumulated Depreciation	(125,569)	(1,000,851)	(55,104)	-	(47,069)	-	-	(1,228,593)
Total Fixed Assets	408,458	2,557,519	21,850	-	89,804	1,773	-	3,079,404
Other Assets								
Long-term Investment	12,885	258,422	-	-	-	-	-	271,307
Security Deposit	-	1,609	2,291	-	-	-	-	3,900
Total Other Assets	12,885	260,031	2,291	-	-	-	-	275,207
Total Assets	\$ 34,432,791	\$ 12,263,164	\$ 2,400,854	\$ 75,091	\$ 2,067,286	\$ 34,146	\$ (18,777,655)	\$ 32,495,677
LIABILITIES AND NET ASSETS								
Current Liabilities								
Accounts Payable	808,809	3,275	4,281	11	1,351	-	-	817,727
Accounts Payable - Subsidiary	-	-	104,444	-	-	-	(104,444)	-
Accrued Liability	83,797	49,613	1,329,718	-	-	-	(1,329,718)	133,410
Total Current Liabilities	892,606	52,888	1,438,443	11	1,351	-	(1,434,162)	951,137
Total Liabilities	892,606	52,888	1,438,443	11	1,351	-	(1,434,162)	951,137
Net Assets								
Unrestricted	18,110,438	47,965	-	-	-	-	(17,343,493)	814,910
Temporarily Restricted (Note 7)	15,429,747	12,162,311	962,411	75,080	2,065,935	34,146	-	30,729,630
Total Net Assets	33,540,185	12,210,276	962,411	75,080	2,065,935	34,146	(17,343,493)	31,544,540
Total Liabilities and Net Assets	\$ 34,432,791	\$ 12,263,164	\$ 2,400,854	\$ 75,091	\$ 2,067,286	\$ 34,146	\$ (18,777,655)	\$ 32,495,677

HELPING HAND FOR RELIEF AND DEVELOPMENT, INC.

Consolidating Statement of Activities Year Ended December 31, 2017

	United States	Pakistan	Africa	Afghanistan	Jordan	Nepal	Eliminations	Consolidated
SUPPORT AND REVENUE								
Contributions from Public	\$27,876,911	\$ 6,906,025	\$ 1,302,228	\$ 210,831	\$ 2,846,805	\$ 59,532	\$ (9,221,634)	\$ 29,980,698
Subsidiary revenue	(9,221,634)	-	-	-	-	-	9,221,634	-
In-Kind Revenue	29,230,150	8,161,080	4,934,712	-	9,829,270	-	(21,595,344)	30,559,868
Miscellaneous Income	167,194	-	13,776	-	-	-	-	180,970
Total Support and Revenue	<u>48,052,621</u>	<u>15,067,105</u>	<u>6,250,716</u>	<u>210,831</u>	<u>12,676,075</u>	<u>59,532</u>	<u>(21,595,344)</u>	<u>60,721,536</u>
EXPENSES								
Program Services:								
Education	883,012	473,697	73,394	-	279,115	-	-	1,709,218
Health and Medical	1,674,164	1,389,422	55,103	-	-	-	-	3,118,689
Orphans	2,554,794	1,374,364	304,111	89,688	658,496	11,107	-	4,992,560
Emergency	4,038,273	118,028	51,897	-	48,264	-	-	4,256,462
Water for Life	960,551	40,650	188,201	39,601	-	-	-	1,229,003
Community Development	575,118	441,336	-	27,225	526,057	-	-	1,569,736
Seasonal	1,517,567	263,383	271,725	41,265	798,009	-	-	2,891,949
In-Kind	27,795,962	6,930,857	4,411,175	-	10,875,667	-	(22,925,062)	27,088,599
Total Program Services	<u>39,999,441</u>	<u>11,031,737</u>	<u>5,355,606</u>	<u>197,779</u>	<u>13,185,608</u>	<u>11,107</u>	<u>(22,925,062)</u>	<u>46,856,216</u>
Supporting Services:								
Management and General	1,098,055	222,600	69,886	12,356	221,662	12,519	-	1,637,078
Fund Raising	853,642	-	-	-	-	-	-	853,642
Total Supporting Expenses	<u>1,951,697</u>	<u>222,600</u>	<u>69,886</u>	<u>12,356</u>	<u>221,662</u>	<u>12,519</u>	<u>-</u>	<u>2,490,720</u>
Total Expenses	<u>41,951,138</u>	<u>11,254,337</u>	<u>5,425,492</u>	<u>210,135</u>	<u>13,407,270</u>	<u>23,626</u>	<u>(22,925,062)</u>	<u>49,346,936</u>
Operating Income/Loss	6,101,483	3,812,768	825,224	696	(731,195)	35,906	1,329,718	11,374,600
Other Non-Operating Income/(Expenses)								
Unrealized Loss	(704)	(55,180)	(42,838)	-	-	-	-	(98,722)
Shop N Help Income	2,126	-	-	-	-	-	-	2,126
Shop N Help Expenses	(2,391)	-	-	-	-	-	-	(2,391)
Amortization of Income	-	257,351	-	-	-	-	-	257,351
Rehabilitation Infrastructure Fund	-	(59,617)	-	-	-	-	-	(59,617)
Micro Finance Portfolio	-	(184,659)	-	-	-	-	-	(184,659)
Prime Minister Interest Free Loan Fund	-	97,464	-	-	-	-	-	97,464
Endowment Fund	-	185,025	13,957	-	-	-	-	198,982
Disaster Management and Logistics Center Fund	-	(13,076)	-	-	-	-	-	(13,076)
Gain/(Loss) on sale of asset	(870)	11,130	-	-	-	-	-	10,260
Total Non-Operating Income/(Expenses)	<u>(1,839)</u>	<u>238,438</u>	<u>(28,881)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>207,718</u>
Change in Net Assets	6,099,644	4,051,206	796,343	696	(731,195)	35,906	1,329,718	11,582,318
Net Assets - Beginning of Year as Restated (Note 9)	27,440,541	8,416,387	227,815	76,085	2,797,130	-	(18,643,163)	20,314,795
Adjustment per ASC 830 (Note 1)	-	(257,317)	(61,747)	(1,701)	-	(1,760)	(30,048)	(352,573)
Net Assets - End of Year	<u>\$33,540,185</u>	<u>\$ 12,210,276</u>	<u>\$ 962,411</u>	<u>\$ 75,080</u>	<u>\$ 2,065,935</u>	<u>\$ 34,146</u>	<u>\$ (17,343,493)</u>	<u>\$ 31,544,540</u>