



**HELP THE CHILDREN**  
**(A California Not-for-Profit Organization)**  
**FINANCIAL STATEMENTS AND**  
**INDEPENDENT AUDITORS' REPORT**  
**For the Years Ended**  
**December 31, 2019 and 2018**

**NIGRO & NIGRO<sup>PC</sup>**

**HELP THE CHILDREN**  
*Table of Contents*  
*December 31, 2019 and 2018*

---

**FINANCIAL SECTION**

	<b><u>Page</u></b>
Independent Auditors' Report .....	1
Financial Statements:	
Statements of Financial Position .....	2
Statements of Activities .....	3
Statements of Functional Expenses.....	4
Statements of Cash Flows .....	5
Notes to Financial Statements .....	6

---

---

***Financial Section***

---

---



**INDEPENDENT AUDITORS' REPORT**

Board of Directors  
Help the Children  
Santa Clarita, California

**Report on the Financial Statements**

We have audited the accompanying financial statements of Help the Children (a California nonprofit organization) which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities, 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 fair 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.

**Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. 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 financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Help the Children as of December 31, 2019 and 2018, 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.

Murrieta, California  
October 31, 2020

**HELP THE CHILDREN**  
*Statements of Financial Position*  
*December 31, 2019 and 2018*

---

<b>ASSETS</b>	<b>2019</b>	<b>2018</b>
<b>Current assets:</b>		
Cash and cash equivalents	\$ 51,978	\$ 80,431
Inventory	61,704	85,430
Prepaid expenses	-	1,564
<b>Total current assets</b>	<b>113,682</b>	<b>167,425</b>
<b>Non-current assets:</b>		
Investments (Note 3)	49,214	33,268
Intangible assets, net (Note 4)	2,259	2,872
Property and equipment, net (Note 5)	134,034	148,878
<b>Total non-current assets</b>	<b>185,507</b>	<b>185,018</b>
<b>Total assets</b>	<b>\$ 299,189</b>	<b>\$ 352,443</b>
 <b>LIABILITIES AND NET ASSETS</b>		
<b>Current liabilities:</b>		
Accounts payable and accrued expenses	\$ 2,136	\$ 8,701
Loans from officers (Note 6)	30,000	30,000
<b>Total liabilities</b>	<b>32,136</b>	<b>38,701</b>
<b>Net assets:</b>		
<b>Without donor restrictions:</b>		
Investment in property, equipment and intangible assets	136,293	151,750
Undesignated	130,760	161,992
<b>Total without donor restrictions</b>	<b>267,053</b>	<b>313,742</b>
<b>Total net assets</b>	<b>267,053</b>	<b>313,742</b>
<b>Total liabilities and net assets</b>	<b>\$ 299,189</b>	<b>\$ 352,443</b>

**HELP THE CHILDREN***Statements of Activities**For the Years Ended December 31, 2019 and 2018*

	<b>Without Donor Restrictions</b>	
	<b>2019</b>	<b>2018</b>
<b>Operating activities:</b>		
<b>Support and other revenue:</b>		
Contributions:		
Cash contributions	\$ 361,750	\$ 519,687
Gifts in-kind (Note 7)	20,809,594	23,583,090
Grants	55,000	92,850
Other support	-	31,274
<b>Total support and other revenue</b>	<b>21,226,344</b>	<b>24,226,901</b>
<b>Program expenses:</b>		
Relief	21,161,840	24,826,592
<b>Total program expenses</b>	<b>21,161,840</b>	<b>24,826,592</b>
<b>Supporting services:</b>		
Management and general	105,836	186,125
Fundraising	13,335	25,614
<b>Total expenses</b>	<b>21,281,011</b>	<b>25,038,331</b>
<b>Change in net assets from operating activities</b>	<b>(54,667)</b>	<b>(811,430)</b>
<b>Non-operating activities:</b>		
Investment earnings (Note 3)	7,978	73
<b>Total non-operating activities</b>	<b>7,978</b>	<b>73</b>
<b>Change in net assets</b>	<b>(46,689)</b>	<b>(811,357)</b>
<b>Net assets:</b>		
Beginning of year	313,742	1,125,099
End of year	<b>\$ 267,053</b>	<b>\$ 313,742</b>

## HELP THE CHILDREN

### Statements of Functional Expenses

For the Years Ended December 31, 2019 and 2018

Expenses	Program Services	Management and General	Fundraising	2019 Total
<b>Salaries and benefits:</b>				
Salaries and wages	\$ 137,414	\$ 25,765	\$ 8,588	\$ 171,767
Payroll taxes	9,435	1,769	590	11,794
Employee benefits	7,818	1,466	489	9,773
<b>Total salaries and benefits</b>	<b>154,667</b>	<b>29,000</b>	<b>9,667</b>	<b>193,334</b>
<b>Other expenses:</b>				
Contracted services	6,886	-	-	6,886
Facilities	20,350	6,518	-	26,868
Insurance	13,651	3,413	-	17,064
Marketing	1,223	1,223	3,668	6,114
Materials and supplies	7,552	15,002	-	22,554
Occupancy	76,770	19,193	-	95,963
Professional services	40,236	21,159	-	61,395
Travel	534	-	-	534
Vehicle	24,018	6,004	-	30,022
Depreciation/Amortization	11,133	4,324	-	15,457
<b>Total other expenses</b>	<b>202,353</b>	<b>76,836</b>	<b>3,668</b>	<b>282,857</b>
<b>Donated good and services</b>	<b>20,804,820</b>	<b>-</b>	<b>-</b>	<b>20,804,820</b>
<b>Total expenses</b>	<b>\$ 21,161,840</b>	<b>\$ 105,836</b>	<b>\$ 13,335</b>	<b>\$ 21,281,011</b>
Expenses	Program Services	Management and General	Fundraising	2018 Total
<b>Salaries and benefits:</b>				
Salaries and wages	\$ 301,158	\$ 56,467	\$ 18,822	\$ 376,447
Payroll taxes	22,581	4,234	1,411	28,226
Employee benefits	7,844	1,471	490	9,805
<b>Total salaries and benefits</b>	<b>331,583</b>	<b>62,172</b>	<b>20,723</b>	<b>414,478</b>
<b>Other expenses:</b>				
Contracted services	8,576	34	-	8,610
Facilities	43,419	15,512	-	58,931
Insurance	24,047	6,012	-	30,059
Marketing	1,630	1,630	4,891	8,151
Materials and supplies	11,303	26,532	-	37,835
Occupancy	82,644	20,661	-	103,305
Professional services	39,238	35,529	-	74,767
Travel	2,487	-	-	2,487
Vehicle	48,714	12,179	-	60,893
Depreciation/Amortization	15,751	5,864	-	21,615
<b>Total other expenses</b>	<b>277,809</b>	<b>123,953</b>	<b>4,891</b>	<b>406,653</b>
<b>Donated good and services</b>	<b>24,217,200</b>	<b>-</b>	<b>-</b>	<b>24,217,200</b>
<b>Total expenses</b>	<b>\$ 24,826,592</b>	<b>\$ 186,125</b>	<b>\$ 25,614</b>	<b>\$ 25,038,331</b>

**HELP THE CHILDREN***Statements of Cash Flows**For the Years Ended December 31, 2019 and 2018*

	<u>2019</u>	<u>2018</u>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ (46,689)	\$ (811,357)
<b>Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:</b>		
Depreciation/Amortization expense	15,457	21,615
Change in investments fair-value	(7,404)	-
Changes in assets and liabilities:		
(Increase) Decrease in assets:		
Inventory	23,726	827,342
Prepaid expenses	1,564	2,087
Increase (Decrease) in liabilities:		
Accounts payable and accrued expenses	(6,565)	5,869
<b>Total adjustments</b>	<u>26,778</u>	<u>856,913</u>
<b>Net cash provided by (used in) operating activities</b>	<u>(19,911)</u>	<u>45,556</u>
<b>Cash flows from investing activities:</b>		
Acquisitions of property and equipment	-	(129,000)
Purchases of investments	(30,417)	-
Proceeds from the sale of investments	21,875	39,472
<b>Net cash used in investing activities</b>	<u>(8,542)</u>	<u>(89,528)</u>
<b>Cash flows from financing activities:</b>		
Loan proceeds from officers	-	50,000
Principal payments to officers	-	(20,000)
<b>Net cash provided by financing activities</b>	<u>-</u>	<u>30,000</u>
<b>Net decrease in cash and cash equivalents</b>	<u>(28,453)</u>	<u>(13,972)</u>
<b>Cash and cash equivalents:</b>		
Beginning of year	80,431	94,403
End of year	<u>\$ 51,978</u>	<u>\$ 80,431</u>



## HELP THE CHILDREN

### Notes to Financial Statements

December 31, 2019 and 2018

---

#### NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

##### A. Nature of Activities

Help the Children, formerly the Children’s Network International, Inc. (Organization) is a nonprofit public benefit corporation formed in 1998 to help alleviate the suffering of children and their families throughout the United States and around the world, primarily through its food and basic needs assistance program. Since 2008, the Organization has been doing business as Help the Children. Revenues are derived primarily from cash and noncash contributions. Due to the move and downsizing of the Organization’s warehouse facilities in November 2018, which resulted in reduced inventory on hand and reduced program activity, the Organization experienced a substantial reduction in revenue.

##### B. Basis of Presentation and Accounting

The financial statements of the Organization have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America. The financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958 dated August 2016, and the provisions of the American Institute of Certified Public Accountants (AICPA) “Audit and Accounting Guide for Not-for-Profit Organizations” (the “Guide”). ASC 958-205 was effective January 1, 2018 and addresses general-purpose external financial statements appropriate for not-for-profit organizations.

Under the provisions of the ASC 958-205, net assets and revenues, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified as follows:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. The Organization’s board may designate assets without restrictions for specific operational purposes from time to time.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met either by the actions of the not-for-profit organization to satisfy a particular purpose restriction, or by the passage of time. Some donor restrictions are perpetual (or permanent) in nature, whereby the donor has stipulated the funds be maintained in perpetuity, whereby the corpus of the donation must remain unspent. As of December 31, 2019 and 2018, the Organization does not have net assets with donor restrictions.

##### C. New Accounting Pronouncement

In August 2016, FASB issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, which makes several changes to the current reporting model for Not-for-Profit entities (NFPs). The standard is effective for fiscal years beginning after December 15, 2017. The ASU has been applied retrospectively to all periods presented. A summary of the most significant changes includes:

###### 1. Net Asset Categories

As opposed to three classes of net assets, the new reporting standard presents two classes of net assets: those with donor-imposed restrictions and those without. Details of restrictions on use of resources will be presented in the notes. Any board designation of net assets must also be presented and disclosed.

## HELP THE CHILDREN

Notes to Financial Statements  
December 31, 2019 and 2018

---

### NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (continued)

#### C. New Accounting Pronouncement (continued)

2. *Classification and Disclosure of Underwater Endowments*

The new standard requires that if a donor-restricted endowment fund is an underwater endowment fund, the accumulated losses shall be included together with that fund in net assets with donor restrictions. Additional note disclosures are required to report:

- a. The fair value of underwater endowment funds.
- b. The original endowment gift amount or level required to be maintained by donor stipulations or by law that extends donor restrictions.
- c. The amount of deficiencies of the underwater endowment funds.

3. *Liquidity and Availability of Resources*

Not-for-profit organizations must provide information about the liquidity of assets or maturity of liabilities, including the effects of restrictions and internal appropriations, by:

- a. Ordering assets according to nearness of conversion to cash and liabilities according to nearness of use of cash due to maturity.
- b. Classifying assets and liabilities as current and noncurrent.
- c. Disclosing any additional information regarding liquidity or maturity of assets and liabilities.

Also, qualitative and quantitative information about the management of liquid resources to meet cash needs for general expenditures within one year of the date of the statement of financial position must be disclosed.

4. *Expense Reporting*

According to ASU 2016-14, all not-for-profit organizations must now disclose information as to the nature and function of expenses. Natural classifications must be disclosed separately from functional classifications.

5. *Statement of Cash Flows*

Prior to the implementation of ASU 2016-14, if the direct method of presenting the statement of cash flows was used, there was a requirement to also disclose the indirect method. That requirement no longer exists. There are no other changes as to the classification of cash flows by operating, investing and financing categories.

6. *Investment Return*

Gross investment revenues (dividends, interest, gains/losses) must now be reported net of related expenses (internal and external) on the face of the Statement of Activities.

#### D. Revenue Recognition

The Organization has also adopted FASB ASC 958-605. The “Contributions Received” subsections of that standard provides guidance for contributions of cash and other assets received, including promises to give. Contributions, including sponsorships, are recognized as revenue at the earlier of the period promised or earned and received. Contributions received with the presence of donor-imposed restrictions are reported in the Statement of Activities in the column ‘with donor restrictions,’ subject to time, purpose or other conditionality.

## HELP THE CHILDREN

### Notes to Financial Statements

December 31, 2019 and 2018

---

#### NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (continued)

##### D. Revenue Recognition (continued)

Once restrictions have been satisfied, amounts are reclassified to ‘without donor restrictions.’ If donor-imposed restrictions are satisfied within the same accounting period as revenue is earned, the Organization’s policy is to present the amounts as without donor restrictions. Grants are recognized during the period the contract is entered and related services have been performed. Program fees and events revenues are recognized upon completion of services performed.

##### E. Donated Materials and Supplies

Donated materials and supplies are recorded as contributions at their estimated fair market value, in accordance with FASB ASC 958-605-30, at the date of donation. Such donations are reported as increases in net assets without donor restrictions unless the donor has restricted the donated asset to a specific purpose.

##### F. Contributed Services

The Organization follows the recognition criteria for contributed services as stated in FASB ASC 958-605-25-16. During the years ended December 31, 2019 and 2018, the value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded. In addition, many individuals volunteer their time and perform a variety of tasks that assist the Organization, but these services do not meet the criteria for recognition as contributed services. The Organization received 22,007 volunteer hours from 3,953 volunteers for 2019. Also, the Organization received 20,567 volunteer hours from 3,694 volunteers in 2018.

##### G. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

##### K. Fair Value Measurements

In accordance with fair value measurements, as stated in FASB ASC 820, the Organization categorizes its assets and liabilities measured at fair value into a three-level hierarchy based on the priority of the inputs to the valuation technique used to determine fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used in the determination of the fair value measurement fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement.

Financial assets and liabilities recorded on the statement of financial position are categorized based on the inputs to the valuation techniques as follows:

*Level 1* – Inputs that reflect unadjusted quoted prices in active markets for identical investments, such as stocks, corporate and government bonds. The Organization has the ability to access the holding and quoted prices as of the measurement date.

*Level 2* – Inputs, other than quoted prices, that are observable for the asset or liability either directly or indirectly, including inputs from markets that are not considered to be active.

*Level 3* – Inputs that are unobservable. Unobservable inputs reflect the Organization's own assumptions about the factors market participants would use in pricing an investment, and is based on the best information available in the circumstances.

## **HELP THE CHILDREN**

### *Notes to Financial Statements*

*December 31, 2019 and 2018*

---

#### **NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (continued)**

##### **L. Cash and Cash Equivalents**

The Organization considers cash on hand, certificates of deposit with original maturity dates of three months or less at the date of investment, as well as money market funds and other similar instruments readily convertible to cash to be cash and cash equivalents.

##### **M. Custodial Credit Risk**

The Organization maintains its cash at various financial institutions. Cash balances are insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC). At various times during the year, the amount on deposit with a single financial institution may exceed federal depository insurance limits and be exposed to custodial credit risk. As of December 31, 2019 and 2018, the Organization had no cash in financial institutions that were exposed to this risk.

##### **N. Investments**

Investments are stated at fair value at the Statement of Financial Position date, and are those instruments considered less liquid than cash and cash equivalents. Net realized and unrealized gains/losses on investments is presented on the Statement of Activities, with respect to any donor restrictions, as investment return. Investment return is presented net of related internal and external fees. Average cost method is used to determine the basis for computing realized gains/losses.

Investments in marketable securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain long-term investments, it is reasonably possible that changes in the values of these investments will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

Investments are made according to the investment policies, guidelines, and objectives adopted by the Foundations' Board of Directors. These guidelines provide for investments in equities, fixed income, and other securities with performance measured against appropriate indices. The investments are generally managed and reviewed by outside investment managers contracted by the Foundation.

##### **O. Promises to Give**

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

##### **P. Inventory**

Inventory consists of gifts in kind held for the conduct of program activities. The recorded value represents the fair value of gifts in kind at the time of donation.

##### **Q. Prepaid Expenses**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses.

## HELP THE CHILDREN

### Notes to Financial Statements

December 31, 2019 and 2018

---

#### NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (continued)

##### R. Property and Equipment

It is the Organization's policy to capitalize property and equipment over \$500. Purchased property and equipment is capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose or time of use. Property and equipment are depreciated using the straight-line method of depreciation over the estimated useful life of the related assets of 5 to 7 years.

##### S. Compensated Absences

The Organization offers paid vacation to employees based on length of employment and position type. The balance at the end of the period is estimated by a multiple of each employee's respective accrued hours of vacation and his or her rate of pay at the period end date, including statutory benefits. As of December 31, 2019 and 2018, the Organization's balance was non-material to the financial statements and not estimable for the statement of financial position.

##### T. Income Taxes

The Organization is a non-profit public-benefit corporation and has been recognized as tax-exempt pursuant to Section 501(c)(3) of the Internal Revenue Code and Section 23701d of the California Revenue and Taxation Code. Accordingly, no provision has been made for income taxes. Management has evaluated its tax positions and the certainty as to whether those positions will be sustained in the event of an audit by taxing authorities at the federal and state levels.

The primary tax positions evaluated are related to the Organization's continued qualification as a tax-exempt organization and whether there are unrelated business income activities conducted that would be taxable. Management has determined that all income tax positions are more likely than not of being sustained upon potential audit or examination; therefore, no disclosures of uncertain income tax positions are required. The Organization files informational returns in the U.S. federal jurisdiction and the state of California.

##### U. Functional Expenses

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function, as shown in the Statement of Functional Expenses. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. 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>
Grants	Time and effort
Salaries and benefits	Time and effort
Occupancy / rent	Facilities square footage
Insurance	Policy type and nature of coverage
Utilities	Time and effort
Supplies	Time and effort
Depreciation	Facilities square footage
Amortization	Intended use

**HELP THE CHILDREN**  
*Notes to Financial Statements*  
*December 31, 2019 and 2018*

---

**NOTE 2 – LIQUIDITY AND AVAILABLE RESOURCES**

The Organization’s financial assets available within one year of the Statement of Financial Position date for general expenditure are as follows:

	<u>2019</u>	<u>2018</u>
<b>Financial assets:</b>		
Cash and cash equivalents	\$ 51,978	\$ 79,831
Inventory	61,704	85,430
Prepaid expenses	-	1,564
Investments	<u>49,214</u>	<u>33,268</u>
<b>Total financial assets for liquidity</b>	<u>\$ 162,896</u>	<u>\$ 200,093</u>

The Organization’s policy for liquidity management requires that it structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. Cash in excess of daily requirements is held in money market or other savings accounts.

**NOTE 3 – INVESTMENTS**

The fair values, related measurement input techniques, and related maturities of the major types of investments held by the Organization at December 31, 2019 and 2018, were as follows:

<u>Description</u>	<u>2019</u>	<u>2018</u>
Equity securities	\$ 31,421	\$ -
Money-market mutual funds	777	571
Mutual funds	<u>17,016</u>	<u>32,697</u>
<b>Total investments</b>	<u>\$ 49,214</u>	<u>\$ 33,268</u>

All investments were measured at Level 1.

Investment earnings, net was comprised of the following as of December 31st:

<u>Description</u>	<u>2019</u>	<u>2018</u>
Interest and dividend earnings	\$ 574	\$ 73
Unrealized gains/(losses)	<u>7,404</u>	<u>-</u>
<b>Total investment earnings</b>	<u>\$ 7,978</u>	<u>\$ 73</u>

**HELP THE CHILDREN**  
*Notes to Financial Statements*  
*December 31, 2019 and 2018*

---

**NOTE 4 - INTANGIBLE ASSETS**

The Organization's intangible assets consist of a trademark for \$9,189 amortized over 15 years. The trademark expires in 2021. The balances of the intangible asset were as follows:

	<u>Balance</u> <u>December 31, 2019</u>	<u>Balance</u> <u>December 31, 2018</u>
<b>Intangible asset:</b>		
Trademark	\$ 9,189	\$ 9,189
Accumulated amortization	<u>(6,930)</u>	<u>(6,317)</u>
<b>Total intangible asset, net</b>	<u>\$ 2,259</u>	<u>\$ 2,872</u>

Amortization expense was \$613 and \$613 as of December 31, 2019 and 2018, respectively.

**NOTE 5 - PROPERTY AND EQUIPMENT**

Property and equipment as of December 31, 2019 and 2018 consisted of the following:

	<u>Balance</u> <u>December 31, 2019</u>	<u>Balance</u> <u>December 31, 2018</u>
Fixed assets not be depreciated:		
Equipment	<u>\$ 120,000</u>	<u>\$ 120,000</u>
Total fixed assets not being depreciated	<u>120,000</u>	<u>120,000</u>
Fixed assets being depreciated:		
Equipment	188,665	188,665
Vehicles	<u>99,000</u>	<u>143,000</u>
Total fixed assets being depreciated	<u>287,665</u>	<u>331,665</u>
Accumulated depreciation:		
Equipment	(179,631)	(174,930)
Vehicles	<u>(94,000)</u>	<u>(127,857)</u>
Total accumulated depreciation	<u>(273,631)</u>	<u>(302,787)</u>
<b>Property and equipment, net</b>	<u>\$ 134,034</u>	<u>\$ 148,878</u>

Depreciation expense was \$14,844 and \$21,002 as of December 31, 2019 and 2018, respectively, and is allocated to the relief program and management activities based on square footage dedicated to each function.

**HELP THE CHILDREN**  
*Notes to Financial Statements*  
*December 31, 2019 and 2018*

---

**NOTE 6 – LONG-TERM LIABILITIES**

**Loans from Officers**

Two members of the Organization’s board of directors loaned funds totaling \$50,000 to the Organization during 2018 for working capital purposes. One member converted the loan to a contribution in the amount of \$20,000 as of December 31, 2018.

Loan payable of \$30,000 remains outstanding to one member of the board of directors. These are comprised of one note payable of \$10,000 with a 4% stated interest, dated October 2018, as well as one note payable of \$20,000 with a 4% stated interest, dated August 2018. The loans are unsecured, not collateralized and payable upon demand.

**NOTE 7 – GIFTS IN KIND**

The Organization recorded gifts in kind of \$20,809,594 and \$23,583,090 for the years ending December 31, 2019 and 2018. Gifts in kind consisted of the following:

	<u>2019</u>	<u>2018</u>
<b>Gifts in-kind:</b>		
Relief program inventory	\$ 20,750,677	\$ 23,540,277
Supplies	-	33,813
Donated rent	28,500	-
Donated securities	30,417	-
Vehicle donation program	-	9,000
<b>Total gifts in-kind</b>	<u>\$ 20,809,594</u>	<u>\$ 23,583,090</u>

In accordance with FASB ASC 958-605-30, contributions of gifts in kind to a not-for-profit entity for further use or sale are measured and recorded at their estimated fair value at time of donation. Consideration is made of the principal market and highest and best use of the gifts in kind. The quality and quantity of the gifts in kind is also considered and if any adjustments or discounts are made, those are disclosed.

The Organization receives various types of goods throughout the year for use in its relief program in providing material needs assistance. The majority of the items are bulk foods and commodities, including fruits, vegetables, and other canned goods. In order to value the food and commodity gifts in kind, the Organization takes an average per pound rate from available US Department of Agriculture (USDA) publications and applies it to all items of this type. Other gifts in kind, such as toys, clothing, and other foods are valued using other level 1 inputs, including actively quoted market prices for similar or identical items. For these other items, several methods are used to determine the estimated wholesale value, including values provided by the donor, other industry pricing guides, internally researched values, and average values for comparable items.



## **HELP THE CHILDREN**

### *Notes to Financial Statements December 31, 2019 and 2018*

---

#### **NOTE 8 – OPERATING LEASES**

The Organization maintained various operating leases throughout the year for operations of its relief program and for administrative purposes.

**A. Warehouse Facility – Montebello, CA**

In November 2018, the Organization entered a one-year lease agreement (December 2018 through December 2019) for warehouse space in Montebello, California for its relief program. Total rent expense for 2019 and 2018 was \$21,000 and \$3,500, respectively.

**B. Warehouse Facility and Administrative Offices – Santa Clarita, CA**

The Organization leases warehouse and administrative offices in Santa Clarita, California on a month-to-month basis for its relief program. Total rent expense for 2019 and 2018 was \$46,500 and \$34,645, respectively.

**C. Warehouse Facility and Administrative Offices – Bell, CA**

The Organization entered into a lease agreement with the Salvation Army for warehouse and administrative office space in Bell, California from January 2017 through December 2022 for its relief program. During 2018, the Organization terminated the lease early in order to move to Montebello facilities due to leasing costs. Total lease expense for 2018 was \$67,500.

#### **NOTE 9 – COMMITMENTS AND CONTINGENCIES**

The Organization has received private grants that may be subject to review of the grantors. Although such reviews could generate disallowances under grant terms, it is believed any amounts will be immaterial.

#### **NOTE 10 – RELATED PARTY TRANSACTIONS**

- A. The Organization's board members were compensated as employees of the Organization during 2019 and 2018. Amounts paid as compensation to the board member(s) during the years amounted to \$62,310 and \$176,882, respectively.
- B. During 2018, two members of the board of directors loaned funds to the Organization for working capital in the amount of \$50,000. One member converted the loan to a contribution for \$20,000 by the year ending December 31, 2018. One loan remains outstanding to one member for \$30,000.

#### **NOTE 11 – SUBSEQUENT EVENTS**

Events subsequent to December 31, 2019 have been evaluated through October 31, 2020, the date at which the Organization's audited financial statements were available to be issued as follows:

##### **Economic Conditions**

At the end of the first quarter of calendar year 2020, the United States and global economy suffered a major decline due to the impact of the COVID-19 virus. This economic decline may affect the Organization's investment earnings and donor contributions for the remainder of 2020 and beyond. However, the potential impact to the Organization is unknown at this time.