

HELPAGE USA, INC.

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

December 31, 2018

**HELPAGE USA, INC.**

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December 31, 2018

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
HelpAge USA, Inc.

We have audited the accompanying financial statements of HelpAge USA, Inc. (the Organization), which comprise the statement of financial position as of December 31, 2018 and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 auditors consider 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 HelpAge USA, Inc. as of December 31, 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.

## Change in Accounting Principle

As discussed in Note 2, the Organization has adopted Financial Accounting Standards Board Accounting Standards Update No. 2016-14, *Not-For-Profit Entities* (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to that matter.

HAN GROUP LLC

HAN GROUP LLC  
Washington, DC  
October 22, 2019

**HELPAGE USA, INC.**  
Statement of Financial Position  
December 31, 2018

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<b>Assets</b>	
Cash	\$ 105,717
Grants and contributions receivable	8,172
Prepaid expenses and other assets	<u>16,097</u>
Total assets	<u>\$ 129,986</u>
<b>Liabilities and Net Assets</b>	
<b>Liabilities</b>	
Accounts payable and accrued expenses	\$ 3,895
Accrued vacation	3,003
Refundable advance	13,566
Deferred revenue	<u>56,250</u>
Total liabilities	<u>76,714</u>
<b>Net Assets</b>	
Without donor restrictions	42,182
With donor restrictions	<u>11,090</u>
Total net assets	<u>53,272</u>
Total liabilities and net assets	<u>\$ 129,986</u>

*See accompanying notes.*

**HELPAGE USA, INC.**  
Statement of Activities  
Year Ended December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenue and Support</b>			
Grants and contributions	\$ 321,943	\$ 65,000	\$ 386,943
Contract income	234,000	-	234,000
In-kind contributions	10,350	-	10,350
Other income	3,001	-	3,001
Net assets released from restrictions	<u>370,078</u>	<u>(370,078)</u>	<u>-</u>
Total revenue and support	<u>939,372</u>	<u>(305,078)</u>	<u>634,294</u>
<b>Expenses</b>			
Program services:			
General programs	467,144	-	467,144
Policy and Education	149,139	-	149,139
HAI support	<u>67,885</u>	<u>-</u>	<u>67,885</u>
Total program services	<u>684,168</u>	<u>-</u>	<u>684,168</u>
Supporting services:			
Management and general	225,770	-	225,770
Fundraising	<u>98,704</u>	<u>-</u>	<u>98,704</u>
Total supporting services	<u>324,474</u>	<u>-</u>	<u>324,474</u>
Total expenses	<u>1,008,642</u>	<u>-</u>	<u>1,008,642</u>
<b>Change in Net Assets</b>	(69,270)	(305,078)	(374,348)
<b>Net Assets, beginning of year</b>	<u>111,452</u>	<u>316,168</u>	<u>427,620</u>
<b>Net Assets, end of year</b>	<u><u>\$ 42,182</u></u>	<u><u>\$ 11,090</u></u>	<u><u>\$ 53,272</u></u>

See accompanying notes.

**HELPAGE USA, INC.**  
Statement of Functional Expenses  
Year Ended December 31, 2018

	Program Services			Total Program Services	Supporting Services		Total Supporting Services	Total
	General Programs	Policy and Education	HAI Support		Management and General	Fundraising		
Grants and awards	\$ 389,499	\$ -	\$ -	\$ 389,499	\$ -	\$ -	\$ -	\$ 389,499
Salaries and related expenses	30,726	80,711	57,628	169,065	144,169	83,460	227,629	396,694
Professional fees	31,925	35,306	1,967	69,198	13,044	4,647	17,691	86,889
Accounting and legal fees	-	-	-	-	54,397	-	54,397	54,397
Occupancy	2,679	6,887	4,988	14,554	12,168	7,219	19,387	33,941
Travel and meeting	7,758	18,803	2,503	29,064	334	316	650	29,714
Office expenses	4,557	6,682	737	11,976	1,257	3,062	4,319	16,295
Other expenses	-	750	62	812	401	-	401	1,213
<b>Total Expenses</b>	<u>\$ 467,144</u>	<u>\$ 149,139</u>	<u>\$ 67,885</u>	<u>\$ 684,168</u>	<u>\$ 225,770</u>	<u>\$ 98,704</u>	<u>\$ 324,474</u>	<u>\$ 1,008,642</u>

*See accompanying notes.*

**HELPAGE USA, INC.**  
Statement of Cash Flows  
Year Ended December 31, 2018

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<b>Cash Flows from Operating Activities</b>	
Change in net assets	\$ (374,348)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Change in operating assets and liabilities:	
Grants and contributions receivable	57,390
Other receivables	2,542
Prepaid expenses and other assets	(13,597)
Accounts payable and accrued expenses	(23,345)
Accrued vacation	(1,584)
Refundable advance	13,566
Deferred revenue	<u>56,250</u>
Net cash used in operating activities	<u>(283,126)</u>
<b>Net Decrease in Cash</b>	(283,126)
<b>Cash</b> , beginning of year	<u>388,843</u>
<b>Cash</b> , end of year	<u><u>\$ 105,717</u></u>

*See accompanying notes.*



## 1. Nature of Operations

HelpAge USA, Inc. (the Organization) works with their global network of affiliates and partners in over 65 countries to implement programs and policies that directly improve the lives of older people in the world's poorest communities. The Organization's vision is of a world in which all older people fulfill their potential to lead dignified, active, healthy and secure lives. The Organization funds its program and supporting services primarily through grants and contributions from corporations, foundations and individuals.

## 2. Summary of Significant Accounting Policies

### Basis of Accounting and Presentation

The accompanying 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 (GAAP). Consequently, revenue is recognized when earned and expenses are recognized when the obligation is incurred.

### Grants and Contributions Receivable

Grants and contributions receivable represent amounts due from the Organization's various grantors and contributors. The balances of grants and contributions receivable at December 31, 2018 have been deemed by management to be fully collectible within one year. If an amount becomes uncollectible, it is expensed when that determination is made.

### Classification of Net Assets

- *Net Assets Without Donor Restrictions* represent funds that are not subject to donor-imposed stipulations and are available for support of the Organization's operations.
- *Net Assets With Donor Restrictions* represent funds subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The Organization does not have any donor-imposed restrictions which are perpetual in nature at December 31, 2018.

### Donated Services

Donated services are recognized as contributions at their fair value in the period received if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. The Organization received \$3,600 of donated accounting services and \$6,750 of donated consulting services during the year ended December 31, 2018.

## 2. Summary of Significant Accounting Policies (continued)

### Revenue Recognition

Unconditional grants and contributions are recognized as revenue when received or promised and are reported as support with donor restrictions if they are received with donor stipulations that limit the use of donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Revenue and support with donor restrictions are reported as revenue and support without donor restrictions if the restrictions are met in the same period received.

Grants under cost reimbursable federal government grants is recognized based upon direct costs incurred plus allowable indirect costs. Revenue recognized but not received from the granting agency or the passthrough agency is included in grants and contributions receivable in the accompanying statement of financial position. Conversely, the amount received in advance of incurring allowable direct and indirect costs is reported as a refundable advance in the accompanying statement of financial position.

Revenue from all other sources is recognized when earned.

### Functional Allocation of Expenses

The costs of providing program and supporting services have been summarized on a functional basis in the accompanying statement of activities. The statement of functional expenses presents expenses by function and natural classification. The Organization incurs expense that directly relate to, and can be assigned to, a specific program or supporting activity. The Organization also conducts a number of activities which benefit both its program objectives as well as supporting services. These costs, which are not specifically attributable to a specific program or supporting activity, are allocated by management on a consistent basis among program and supporting services benefited based on either financial or nonfinancial data, such as distribution of labor or estimates of time and effort incurred by personnel. The expenses that are allocated include salaries and related expenses, professional fees, occupancy, travel and meeting, and office expenses.

### Changes in Accounting Principles

Effective January 1, 2018, the Organization adopted Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities* (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. ASU 2016-14 amends the current reporting model for nonprofit organizations and enhances their required disclosures.

## 2. Summary of Significant Accounting Policies (continued)

### Changes in Accounting Principles (continued)

The major changes include: (a) requiring the presentation of only two classes of net assets now entitled “net assets without donor restrictions” and “net assets with donor restrictions”, (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the placed in service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs, (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (f) presenting investment return net of external and direct expenses, and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. ASU 2016-14 is effective for financial statements issued for fiscal years beginning after December 15, 2017.

Implementation of ASU 2016-14 did not require reclassification or restatement of any opening balances related to the period presented. The Organization’s net assets previously reported as temporarily restricted are now reported as net assets with donor restrictions. Likewise, the Organization’s net assets previously reported as unrestricted are now reported as net assets without donor restrictions. The Organization did not have any permanently restricted net assets.

### Pending Accounting Pronouncements

In May 2014, the Financial Accounting Standard Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606). The core principle of ASU 2014-09 requires the recognition of revenue to depict the transfer of goods or services to customers at an amount that reflects the consideration for what an organization expects it will receive in association with this exchange. ASU 2014-09 is effective for fiscal years beginning after December 15, 2018. Management is currently evaluating the impact of ASU 2014-09 on the Organization's financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). The core principles of ASU 2016-02 change the way organizations will account for their leases by recognizing lease assets and related liabilities on the statement of financial position and disclosing key information about leasing arrangements. ASU 2016-02 is effective for non-public entities for fiscal years beginning after December 15, 2019. Management is currently evaluating the impact of ASU 2016-02 on the Organization's financial statements.

**2. Summary of Significant Accounting Policies (continued)**

Pending Accounting Pronouncements

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The new guidance is intended to clarify and improve accounting guidance for contributions received and contributions made. The amendments in this ASU should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. ASU 2018-08 is effective for annual reporting periods beginning after December 15, 2018. Management is currently evaluating the impact of ASU 2018-08 on the Organization's financial statements.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

**3. Concentrations**

Grants and contributions from two entities accounted for approximately 72% of the Organization's revenue and support for the year ended December 31, 2018 and approximately 80% of the grants and contributions receivable were due from two entities at December 31, 2018.

**4. Leases**

In October 2016, the Organization entered into an office lease with one-year term commencing on October 1, 2016 and terminating on September 30, 2017. The lease called for a base monthly rent of \$2,500. In October 2017, the Organization entered into another lease for the same office space commencing on October 1, 2017 and terminating on September 30, 2019. The lease called for a base monthly rent of \$2,625 with a five percent annual escalation clause. This lease is cancellable with a six-month advance notice. At December 31, 2018, future minimum lease payments required under the lease is \$24,806. Rent expense under the office lease was \$31,912 for the year ended December 31, 2018.

**5. Net Assets With Donor Restrictions**

Net assets with donor restrictions were restricted for the following at December 31, 2018:

Subject to expenditures for specific purposes:	
Morogoro Healthy Aging	\$ 11,090
	<u>11,090</u>
Total net assets with donor restrictions	<u>\$ 11,090</u>

During the year ended December 31, 2018, releases from net assets with donor restrictions were for the following:

Subject to expenditures for specific purposes:	
Disaster Relief	\$ 200,049
Measuring Healthy Aging	90,209
Morogoro Healthy Aging	53,910
Citizen Engagement	25,910
	<u>370,078</u>
Total net assets released from donor restrictions	<u>\$ 370,078</u>

**6. Liquidity and Availability of Resources**

The following schedule reflects the Organization's financial assets at December 31, 2018, reduced by amounts not available for general use within one year. All financial assets listed below are considered to be convertible to cash within one year:

Cash	\$ 105,717
Grants and contributions receivable	<u>8,172</u>
Total financial assets	<u>113,889</u>
Less those unavailable for general expenditures within one year due to:	
Refundable advance	(13,566)
Deferred revenue	(56,250)
Donor-imposed restrictions on the financial assets	<u>(11,090)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 32,983</u>

The Organization has a policy to structure its financial assets to be available and liquid as its obligations become due. The Organization's primary sources of support are grants and contributions from corporations, foundations and individuals. Most of the support is receivable within one year. As of December 31, 2018, the Organization had financial assets equal to approximately one month of operating expenses excluding grants and awards.

## 7. Related Party Transactions

The Organization entered into grant and contract arrangements with HelpAge International, a London based organization. A board member and an officer with HelpAge International are also board members with the Organization. The Organization granted \$357,052 to HelpAge International during the year ended December 31, 2018, and received \$125,000 in grants from HelpAge International during the year ended December 31, 2018. In addition, HelpAge International contracted the Organization to provide certain professional services. The Organization recognized \$234,000 for contract service income from HelpAge International during the year ended December 31, 2018.

The Organization received contributions from board members and from organizations related to the board members. The total of such contributions was \$22,624 for the year ended December 31, 2018, which is included in grants and contributions in the accompanying statement of activities.

## 8. Income Taxes

Under Section 501(c)(3) of the Internal Revenue Code, the Organization is a nonprofit organization and is exempt from federal taxes on income other than net unrelated business income. No provision for federal or state income taxes is required for the year ended December 31, 2018, as the Organization had no material taxable net unrelated business income.

The Organization follows the authoritative guidance relating to accounting for uncertainty in income taxes included in Accounting Standards Codification Topic 740-10, *Income Taxes*. These provisions provide consistent guidance for the accounting for uncertainty in income taxes recognized in an entity's financial statements and prescribe a threshold of "more likely than not" for recognition and derecognition of tax positions taken or expected to be taken in a tax return.

The Organization performed an evaluation of uncertain tax positions for the year ended December 31, 2018, and determined that there were no matters that would require recognition in the financial statements or that may have any effect on its tax-exempt status. At December 31, 2018, the statute of limitations for tax years ended December 31, 2015 through 2017 remains open with the U.S. federal jurisdiction or the various states and local jurisdictions in which the Organization files tax returns. It is the Organization's policy to recognize interest and/or penalties related to uncertain tax positions, if any, in income tax expenses.

## 9. Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through October 22, 2019, the date the financial statements were available to be issued. There were no subsequent events that require recognition of, or disclosure in, the financial statements.