

USAHello

Reviewed Consolidated Financial Statements

For the Year Ended
December 31, 2019



MCDONALD JACOBS

INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors
USAHello

We have reviewed the accompanying consolidated financial statements of USAHello (a nonprofit corporation), which comprise the consolidated statement of financial position as of December 31, 2019, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the consolidated financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the consolidated financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying consolidated financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited USAHello's 2018 consolidated financial statements, and we expressed an unmodified audit opinion on those statements audited financial statements in our report dated June 25, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018 is consistent, in all material respects, with the audited financial statements from which is has been derived. We have not performed any auditing procedures since that date.

McDonald Jacobz, P.C.

Portland, Oregon
June 25, 2020

USAHELLO
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
December 31, 2019
(With comparative totals for 2018)

	<u>(Reviewed)</u>	<u>(Audited)</u>
	2019	2018
ASSETS		
Cash and cash equivalents	\$ 116,215	\$ 325,938
Pledges receivable	72,766	21,373
Other assets	2,469	2,631
Italian cash reserve	44,035	34,331
Property and equipment, net	<u>140,908</u>	<u>75,846</u>
 TOTAL ASSETS	 <u>\$ 376,393</u>	 <u>\$ 460,119</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	\$ 1,539	\$ 20,672
Accrued personnel expenses	<u>48,675</u>	<u>18,135</u>
Total liabilities	<u>50,214</u>	<u>38,807</u>
Net assets:		
Without donor restrictions:		
Undesignated	27,486	174,036
Italian reserve	44,035	34,331
Net property and equipment	<u>140,908</u>	<u>75,846</u>
Total without donor restrictions	212,429	284,213
With donor restrictions	<u>113,750</u>	<u>137,099</u>
Total net assets	<u>326,179</u>	<u>421,312</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 376,393</u>	 <u>\$ 460,119</u>

See independent accountant's review report and notes to consolidated financial statements.

USAHELLO
CONSOLIDATED STATEMENT OF ACTIVITIES
For the year ended December 31, 2019
(With comparative totals for 2018)

	(Reviewed) 2019			(Audited) 2018
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Support and revenue:				
Contributions and grants	\$ 598,011	\$ 220,000	\$ 818,011	\$ 972,584
Other support and revenue	18,390	-	18,390	19,887
Net assets released from restrictions:				
Satisfaction of purpose restrictions	187,099	(187,099)	-	-
Satisfaction of time restrictions	56,250	(56,250)	-	-
Total support and revenue	<u>859,750</u>	<u>(23,349)</u>	<u>836,401</u>	<u>992,471</u>
Expenses:				
Program	700,362	-	700,362	518,699
Management and general	154,534	-	154,534	120,404
Fundraising	76,638	-	76,638	44,118
Total expenses	<u>931,534</u>	<u>-</u>	<u>931,534</u>	<u>683,221</u>
Change in net assets	(71,784)	(23,349)	(95,133)	309,250
Net assets:				
Beginning of year	<u>284,213</u>	<u>137,099</u>	<u>421,312</u>	<u>112,062</u>
End of year	<u>\$ 212,429</u>	<u>\$ 113,750</u>	<u>\$ 326,179</u>	<u>\$ 421,312</u>

See independent accountant's review report and notes to consolidated financial statements.

USAHELLO
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For the year ended December 31, 2019

	Program			Total Program	Management and General	Fundraising	(Reviewed) Total
	Community	Education	Resources				
Salaries and related costs	\$ 134,914	\$ 43,714	\$ 272,252	\$ 450,880	\$ 68,105	\$ 58,195	\$ 577,180
Professional fees	5,500	3,314	5,044	13,858	67,036	3,640	84,534
Program outreach	8,752	1,164	2,501	12,417	33	3,888	16,338
Information technology	1,813	1,877	32,069	35,759	117	-	35,876
Rent	3,047	3,243	7,896	14,186	8,485	1,587	24,258
Content development	7,814	10,288	50,145	68,247	100	1,019	69,366
Advertising	452	37,722	6,499	44,673	-	611	45,284
Travel and meetings	11,447	3,436	11,575	26,458	4,408	5,080	35,946
Depreciation	250	-	25,840	26,090	-	-	26,090
Miscellaneous	3,635	1,053	3,106	7,794	6,250	2,618	16,662
Total expenses	<u>\$ 177,624</u>	<u>\$ 105,811</u>	<u>\$ 416,927</u>	<u>\$ 700,362</u>	<u>\$ 154,534</u>	<u>\$ 76,638</u>	<u>\$ 931,534</u>

See independent accountant's review report and notes to consolidated financial statements.

USAHELLO
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For the year ended December 31, 2018

	Program			Total Program	Management and General	Fundraising	(Audited)
	Community	Education	Resources				Total
Salaries and related costs	\$ 51,318	\$ 117,384	\$ 139,247	\$ 307,949	\$ 32,903	\$ 21,397	\$ 362,249
Professional fees	-	-	2,454	2,454	59,100	11,209	72,763
Program outreach	8,679	4,215	1,778	14,672	265	1,873	16,810
Information technology	2,357	27,818	8,064	38,239	1,782	175	40,196
Rent	3,240	5,666	6,231	15,137	4,889	882	20,908
Content development	34,217	26,273	46,583	107,073	349	-	107,422
Advertising	13,001	7,826	3,301	24,128	-	-	24,128
Travel and meetings	1,128	3,198	4,027	8,353	10,619	1,117	20,089
Miscellaneous	330	-	364	694	10,497	7,465	18,656
Total expenses	<u>\$ 114,270</u>	<u>\$ 192,380</u>	<u>\$ 212,049</u>	<u>\$ 518,699</u>	<u>\$ 120,404</u>	<u>\$ 44,118</u>	<u>\$ 683,221</u>

See independent accountant's review report and notes to consolidated financial statements.

USAHELLO
CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended December 31, 2019
(With comparative totals for 2018)

	<u>(Reviewed)</u> 2019	<u>(Audited)</u> 2018
Cash flows from operating activities:		
Cash received from donors	\$ 762,087	\$ 1,014,667
Cash received from other activities	14,926	3,125
Cash paid to employees	(546,640)	\$ (352,536)
Cash paid to suppliers	<u>(339,069)</u>	<u>(272,291)</u>
Net cash flows from operating activities	<u>(108,696)</u>	<u>392,965</u>
 Cash flows from investing activities:		
Proceeds from the sale of property and equipment	765	-
Purchase of property and equipment	<u>(92,088)</u>	<u>(76,567)</u>
Net cash flows from investing activities	<u>(91,323)</u>	<u>(76,567)</u>
 Net change in cash and cash equivalents	(200,019)	316,398
 Cash and cash equivalents - beginning of year	<u>360,269</u>	<u>43,871</u>
 Cash and cash equivalents - end of year	<u>\$ 160,250</u>	<u>\$ 360,269</u>
 <u>Reconciliation to Statement of Financial Position</u>		
Cash and cash equivalents	\$ 116,215	\$ 325,938
Italian cash reserve	<u>44,035</u>	<u>34,331</u>
	<u>\$ 160,250</u>	<u>\$ 360,269</u>

See independent accountant's review report and notes to consolidated financial statements.

USAHELLO
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2019

1. DESCRIPTION OF ORGANIZATION

USAHello (the Organization) is a nonprofit organization established in 2011. The Organization's mission is to use the power of technology to connect refugees, asylum seekers and immigrants to information and education to build a new life in the United States. Through free online multilingual resources, people are able to access relevant information and classes to navigate life in a new place. Information and tools for receiving communities empower supporters to create more welcoming communities for all. Prior to May 2019, USAHello was previously known as The Refugee Center Online.

The Organization's programs are as follows:

Community

USAHello believes in the value of lived experiences and human connection. Through the popular *Voices* features in the website, those who have come as immigrants themselves are able to share their own stories of challenge and triumph as they learned to navigate life in a new country. USAHello's social media presence works to share valuable information for newcomers and creates a place to highlight relevant policy updates and news as well as to highlight the positive contributions of newcomers and the communities that welcome them.

Education

USAHello's free self-paced classes use dual language technology to help students prepare for the GED and Citizenship tests in the US. The online classroom continues to have over 50,000 enrollments. For the receiving community, USAHello also features a credit earning course for teachings working with immigrant and refugee students in the classroom along with articles and resources for those who are seeking to volunteer with refugees in their local community.

Resources

There are many challenging things about coming to a new country and USAHello believes that accessing accurate information should not be one of them. USAHello's website features articles on everything from how to register for school to how to buy a car to understanding local culture and customs. Resource articles are available in multiple languages. Additionally, USAHello launched an app in 2019, FindHello, in partnership with UNHCR (The UN Refugee Agency). The app connects newcomers to services like ESL classes, health clinics and ethnic food stores in their local communities.

See independent accountant's review report.

USAHELLO
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED
December 31, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Consolidation

The consolidated financial statements include the accounts of USAHello and Italia Hello, the Organization's Italian operations. All significant inter-organization amounts have been eliminated in consolidation.

Net Assets

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

- *Net Assets Without Donor Restrictions* - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.
- *Net Assets With Donor Restrictions* - Net assets subject to donor- (or certain grantor) 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. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid investments available for current use with maturities of three months or less at the time of purchase to be cash equivalents.

Italian Cash Reserve

The Organization is required to maintain a reserve of 30,000 euros in an Italian bank account as part of its operations in Italy as well as a defined amount to fund employee separation.

Pledges Receivable

Contributions, which include unconditional promises to give (pledges), are recognized as revenues in the period the Organizations is notified of the commitment. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. Bequests are recorded as revenue at the time the Organization has an established right to the bequest and the proceeds are measurable. All pledges receivable at December 31, 2019 are estimated to be collectible within one year.

See independent accountant's review report.

USAHELLO
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED
December 31, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, *Continued*

Income Tax Status

USAHello is a nonprofit corporation exempt from income tax under section 501(c)(3) of the Internal Revenue Code and applicable state law. No provision for income taxes is made in the accompanying consolidated financial statements, as the Organization has no activities subject to unrelated business income tax. The Organization is not a private foundation.

Italia Hello is a nonprofit corporation established under the Articles of Italian Legislation.

The Organization follows the provisions of FASB ASC Topic 740 *Accounting for Uncertainty in Income Taxes*. Management has evaluated the Organization's tax positions and concluded that there are no uncertain tax positions that require adjustment to the consolidated financial statements to comply with provisions of this Topic.

Property and Equipment

Acquisitions of property and equipment in excess of \$1,000 are capitalized. Property and equipment purchased are recorded at cost. Donated assets are reflected as contributions at their estimated values on the date received.

Capitalized Website and Applications

Internally-developed applications are stated at cost less accumulated amortization and are amortized using the straight-line method over the estimated useful life of the application. Application assets are reviewed for impairment when events or circumstances indicate that the carrying value may not be recoverable over the remaining lives of the assets. During the period which the application is determined to be technologically feasible to the period the application is made available for general use, capitalized costs include external consulting costs, internal payroll and payroll-related costs for employees who are directly associated with the application project and indirect costs limited to a percentage of total direct costs. Application maintenance, training, and business process costs are expensed in the period in which they are incurred.

Depreciation

Depreciation of property, equipment, and applications is calculated using the straight-line method over the estimated useful lives of the assets, which range from 3-5 years.

Donated Materials and Services

Donations of property, equipment, materials and other assets are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose.

See independent accountant's review report.

USAHELLO
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED
December 31, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Donated Materials and Services, Continued

The Organization recognizes donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Donated materials and services included in other support and revenue is the following:

	<u>2019</u>	<u>2018</u>
Materials and goods	\$ 615	\$ 2,860
Legal and professional services, included in administration	<u>5,800</u>	<u>12,145</u>
Total donated materials and services	<u>\$ 6,415</u>	<u>\$ 15,005</u>

Advertising Costs

Advertising costs are expensed as incurred, and approximated \$45,300 and \$24,100 during 2019 and 2018, respectively.

Functional Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the consolidated statement of activities and in the consolidated statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The associated expenses that are allocated include: salaries and related costs, professional fees, program, information technology, rent, content, travel and meetings, and other, which are allocated on estimates of time and effort.

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications

Certain accounts in the prior-year consolidated financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year consolidated financial statements. The reclassifications had no impact on previously reported net assets.

See independent accountant's review report.

USAHELLO
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED
December 31, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Change in Accounting Principle

The Organization implemented *Accounting Standards Update 2018-08, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This standard assists organizations in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. The provisions of ASU 2018-08 were implemented applicable to both contributions received and to contributions made in the accompanying financial statements under a modified prospective basis. There was no significant impact to the Organization's revenue recognition in either year presented for this change in accounting principle.

Summarized Financial Information for 2018

The financial information as of December 31, 2018 and for the year then ended is presented for comparative purposes and is not intended to be a complete consolidated financial statement presentation.

Subsequent Events

The Organization has evaluated all subsequent events through June 25, 2020, the date the consolidated financial statements were available to be issued.

The Organization has been negatively impacted by the impacts of the coronavirus pandemic, which resulted in the delay of programs and events. The Organization is closely monitoring its operations, liquidity, and capital resources and is actively working to minimize the current and future impact of this unprecedented situation. As of the date of issuance of these consolidated financial statements, the full impact to the Organization's financial position is not known.

3. ITALIAN CASH RESERVES

Italian cash reserves consist of the following as of December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Operating reserves per Italian legislation	\$ 33,596	\$ 34,331
Employment compliance reserve	<u>10,439</u>	<u>-</u>
Total Italian reserves	<u>\$ 44,035</u>	<u>\$ 34,331</u>

See independent accountant's review report.

USAHELLO
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED
December 31, 2019

4. AVAILABLE RESOURCES AND LIQUIDITY

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its primary operations to be general expenditures. It excludes financial assets with donor or other restrictions limiting their use.

Financial assets of the Organization consist of the following at December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 116,215	\$ 325,938
Pledges receivable	72,766	21,373
Italian reserves	<u>44,035</u>	<u>34,331</u>
	233,016	381,642
Less amounts unavailable for general expenditure:		
Italian reserves	44,035	34,331
Net assets with donor restrictions	<u>38,750</u>	<u>137,099</u>
Financial assets available for general expenditure	<u>\$ 150,231</u>	<u>\$ 210,212</u>

5. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Furniture and equipment	\$ 6,743	\$ 7,992
Website and applications	108,911	-
Website and app development in process	<u>51,752</u>	<u>68,575</u>
	167,406	76,567
Accumulated depreciation	<u>(26,498)</u>	<u>(721)</u>
Property and equipment, net	<u>\$ 140,908</u>	<u>\$ 75,846</u>

See independent accountant's review report.

USAHELLO
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED
December 31, 2019

6. LEASE COMMITMENTS

The Organization leases administrative facilities under various operating lease agreements with terms summarized below:

- U.S. administrative office, ended December 2019 with monthly rent of \$1,445
- Italy administrative office, month-to-month basis, with monthly rent of \$584

Rent expense for the above leases totaled approximately \$24,300 and \$20,900 for 2019 and 2018, respectively.

Future minimum lease commitments for the non-cancellable lease are as approximately \$2,900 for the year ending December 31, 2020.

7. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at December 31, 2019 and 2018:

	2019	2018
FindHello App and resources	\$ -	\$ 30,099
Personnel and travel costs	-	107,000
Educating refugee and immigrant students	20,000	-
Time restricted	93,750	-
Total net assets with donor restrictions	\$ 113,750	\$ 137,099

8. CONCENTRATIONS OF CREDIT RISK

The Organization maintains its cash balances in several domestic and foreign financial institutions. Balances in each U.S. institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The balances, at times, may exceed the federally insured limit. Balances in excess of insured limits were approximately \$74,000 and \$108,000 as of December 31, 2019 and 2018, respectively. This includes approximately \$73,000 and \$82,000 in an Italian bank account at December 31, 2019 and 2018, respectively.

The Organization's revenues are concentrated with 68% of total revenues coming from two sources for 2019 and 71% of total revenues coming from two sources for 2018.

The Organization's pledges receivable at December 31, 2019 are concentrated with 86% due from one donor.

See independent accountant's review report.

USAHELLO
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED
December 31, 2019

9. RELATED PARTY DISCLOSURE

Certain board members are business owners in the community. At times, the Organization enters into transactions with companies where board members are key employees or owners. In addition, approximately 61% and 12% of revenues received in 2019 and 2018, respectively, were from grantors affiliated with board members or their family members,

10. FOREIGN CURRENCY TRANSLATION

The Organization maintains bank accounts in Italy that are held in euros. The account balance and transactions have been translated to U.S. dollars for reporting purposes, with any gain or loss from currency translation included in the change in net assets. Management has assessed the risk of loss associated with the foreign currency exchange as minimal.

See independent accountant's review report.