

HELEN KELLER INTERNATIONAL

CONSOLIDATED FINANCIAL STATEMENTS AND REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

JUNE 30, 2020

HELEN KELLER INTERNATIONAL

TABLE OF CONTENTS

	<u>Page</u>
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS	1-2
FINANCIAL STATEMENTS	
<i>Consolidated Statements of Financial Position,</i> June 30, 2020 and 2019	3
<i>Consolidated Statement of Activities and Changes in Net Assets,</i> Year Ended June 30, 2020 with Summarized Information for 2019	4
<i>Consolidated Statements of Cash Flows,</i> Years Ended June 30, 2020 and 2019	5
<i>Consolidated Statement of Functional Expenses,</i> Year Ended June 30, 2020 with Summarized Information for 2019	6
<i>Notes to Consolidated Financial Statements</i>	7-17

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Trustees
Helen Keller International
New York, New York

We have audited the accompanying consolidated financial statements of Helen Keller International (a New York not-for-profit corporation) (“HKI”) which comprise the consolidated statement of financial position as of June 30, 2020, and the related consolidated statements of activities and changes in net assets, cash flows and functional expenses 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 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.

Auditor’s Responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free of 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 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of HKI as of June 30, 2020, 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.

Board of Trustees
Helen Keller International
New York, New York

Report on Summarized Comparative Information

We have previously audited HKI's 2019 consolidated financial statements, and our report dated January 8, 2020, expressed an unmodified audit opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Tait, Weller & Baker LLP

Philadelphia, Pennsylvania
January 12, 2021

HELEN KELLER INTERNATIONAL

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

June 30, 2020 And 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
Cash and cash equivalents	\$ 41,771,120	\$ 29,239,514
Cash held in international offices	4,462,081	7,566,275
Investments	7,099,834	2,627,889
Grants receivable	6,631,286	6,401,633
Contributions receivable	10,009,665	12,423,356
Beneficial interest in perpetual and restricted trusts	1,110,329	1,122,152
Fixed assets, net	1,074,203	1,362,915
Security deposits and other assets	<u>1,267,465</u>	<u>1,507,226</u>
Total assets	<u>\$ 73,425,983</u>	<u>\$ 62,250,960</u>
LIABILITIES		
Accounts payable and accrued expenses	\$ 4,071,899	\$ 4,572,954
Deferred revenue	13,724,060	11,203,261
Loan payable	-	326,702
Severance accrual – international offices	<u>1,558,928</u>	<u>1,364,824</u>
Total liabilities	<u>19,354,887</u>	<u>17,467,741</u>
NET ASSETS		
Without donor restrictions	8,479,637	7,244,429
With donor restrictions	<u>45,591,459</u>	<u>37,538,790</u>
Total net assets	<u>54,071,096</u>	<u>44,783,219</u>
Total liabilities and net assets	<u>\$ 73,425,983</u>	<u>\$ 62,250,960</u>

HELEN KELLER INTERNATIONAL

CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Years Ended June 30, 2020 With Summarized Information For 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2020</u>	<u>2019</u>
Operating Support and Revenue				
Support				
Contributions – corporations, foundations, and individuals	\$ 5,530,600	\$ 35,091,879	\$ 40,622,479	\$ 41,840,664
Contributions – medicines and other (in-kind)	120,173,218	-	120,173,218	117,422,888
Legacies and trusts	448,729	85,827	534,556	268,923
Grants – U.S. Government agencies	-	34,603,293	34,603,293	40,364,873
Grants – Non U.S. Government agencies	-	3,700,138	3,700,138	4,062,050
Net assets released from restrictions	<u>66,845,990</u>	<u>(66,845,990)</u>	<u>-</u>	<u>-</u>
Total support	<u>192,998,537</u>	<u>6,635,147</u>	<u>199,633,684</u>	<u>203,959,398</u>
Revenue				
Program and other revenue	23,994	1,429,345	1,453,339	1,010,905
Dividends and interest income	<u>138,959</u>	<u>-</u>	<u>138,959</u>	<u>126,041</u>
Total revenue	<u>162,953</u>	<u>1,429,345</u>	<u>1,592,298</u>	<u>1,136,946</u>
Total operating support and revenue	<u>193,161,490</u>	<u>8,064,492</u>	<u>201,225,982</u>	<u>205,096,344</u>
Expenses				
Program services:				
US Vision Programs	2,390,301	-	2,390,301	2,365,103
Nutrition, including Vitamin A	42,089,860	-	42,089,860	40,782,745
International Eye Health	1,841,714	-	1,841,714	1,434,756
Neglected Tropical Diseases	13,282,357	-	13,282,357	17,395,512
Distribution of medicines and other (in-kind), primarily for blindness prevention	<u>120,173,218</u>	<u>-</u>	<u>120,173,218</u>	<u>117,417,888</u>
Total program services	<u>179,777,450</u>	<u>-</u>	<u>179,777,450</u>	<u>179,396,004</u>
Support services				
Management and general	10,219,591	-	10,219,591	10,812,695
Fundraising	<u>2,021,419</u>	<u>-</u>	<u>2,021,419</u>	<u>2,378,857</u>
Total support services	<u>12,241,010</u>	<u>-</u>	<u>12,241,010</u>	<u>13,191,552</u>
Total expenses	<u>192,018,460</u>	<u>-</u>	<u>192,018,460</u>	<u>192,587,556</u>
Excess of revenue over expenses	1,143,030	8,064,492	9,207,522	12,508,788
Other Changes				
Net realized and unrealized gains on investments	92,178	-	92,178	21,505
Change in perpetual and restricted trusts	<u>-</u>	<u>(11,823)</u>	<u>(11,823)</u>	<u>(13,841)</u>
Change in net assets	1,235,208	8,052,669	9,287,877	12,516,452
Net Assets				
Beginning of year	<u>7,244,429</u>	<u>37,538,790</u>	<u>44,783,219</u>	<u>32,266,767</u>
End of year	<u>\$ 8,479,637</u>	<u>\$ 45,591,459</u>	<u>\$ 54,071,096</u>	<u>\$ 44,783,219</u>

HELEN KELLER INTERNATIONAL

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended June 30, 2020 And 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
<i>Change in net assets</i>	\$ 9,287,877	\$ 12,516,452
<i>Adjustments to reconcile change in net assets to net cash provided by operating activities</i>		
Depreciation and amortization	615,928	660,053
Net realized/unrealized gain on investments	(92,178)	(21,505)
Loss on disposal of fixed assets	-	9,728
Change in perpetual and restricted trusts	11,823	13,841
Changes in operating assets and liabilities		
Cash held in international offices	3,104,194	(968,151)
Grants receivable	(229,653)	2,674,991
Contributions receivable	2,413,691	(4,323,028)
Security deposits and other assets	239,761	(1,779)
Accounts payable and accrued expenses	(501,055)	(502,939)
Deferred revenue	2,520,799	3,790,613
Severance accrual – international offices	<u>194,104</u>	<u>31,357</u>
Net cash provided by operating activities	<u>17,565,291</u>	<u>13,879,633</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in invested cash and cash equivalents	(4,446,344)	(188,784)
Net sales of investments	66,577	6,928
Purchases of fixed assets	<u>(327,216)</u>	<u>(285,257)</u>
Net cash used in investing activities	<u>(4,706,983)</u>	<u>(467,113)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Loan repayments	<u>(326,702)</u>	<u>(113,389)</u>
Net cash used in financing activities	<u>(326,702)</u>	<u>(113,389)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	12,531,606	13,299,131
CASH AND CASH EQUIVALENTS		
Beginning of year	<u>29,239,514</u>	<u>15,940,383</u>
End of year	<u>\$41,771,120</u>	<u>\$ 29,239,514</u>

HELEN KELLER INTERNATIONAL

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2020 With Summarized Information For 2019

Expenses	Program Services	Supporting Services			Totals	
		Management And General	Fundraising	Total	2020	2019
Personnel	\$ 23,600,627	\$ 7,247,114	\$ 1,180,755	\$ 8,427,869	\$ 32,028,496	\$ 31,390,655
Travel (staff and trainees)	4,404,576	256,579	349	256,928	4,661,504	5,237,430
Subgrants	17,844,539	-	-	-	17,844,539	22,735,557
Meetings, conferences and training workshops	1,178,347	16,437	517	16,954	1,195,301	1,218,607
Equipment, supplies and maintenance	1,007,186	529,638	48,119	577,757	1,584,943	1,571,832
Program supplies	1,794,854	2,616	-	2,616	1,797,470	1,725,744
Vehicles and vehicle maintenance	1,200,883	4,254	-	4,254	1,205,137	1,384,912
Professional fees and services	5,072,074	332,615	9,351	341,966	5,414,040	3,935,284
Advertising and broadcasting	250,942	11,842	39,247	51,089	302,031	230,307
Postage	55,770	6,495	1,650	8,145	63,915	118,917
Direct mail	-	-	603,336	603,336	603,336	658,705
Telephone and communication	671,235	181,102	44,714	225,816	897,051	792,986
Depreciation	301,253	314,675	-	314,675	615,928	660,053
Occupancy	1,400,310	998,889	-	998,889	2,399,199	2,378,570
Printing	443,182	2,891	12,492	15,383	458,565	450,690
Other expense	<u>378,454</u>	<u>314,444</u>	<u>80,889</u>	<u>395,333</u>	<u>773,787</u>	<u>674,419</u>
Total expenses before in-kind	59,604,232	10,219,591	2,021,419	12,241,010	71,845,242	75,164,668
Medicines and other (in-kind)	<u>120,173,218</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>120,173,218</u>	<u>117,422,888</u>
Total expenses	<u>\$ 179,777,450</u>	<u>\$ 10,219,591</u>	<u>\$ 2,021,419</u>	<u>\$ 12,241,010</u>	<u>\$ 192,018,460</u>	<u>\$ 192,587,556</u>

HELEN KELLER INTERNATIONAL

CONSOLIDATED NOTES TO FINANCIAL STATEMENTS

June 30, 2020 And 2019

(1) NATURE OF ORGANIZATION AND TAX-EXEMPT STATUS

Helen Keller International (“*HKI*”) is the oldest U.S. not-for-profit organization devoted to fighting and treating preventable blindness throughout the world. HKI has expanded to include a range of program interventions to prevent malnutrition and improve health outcomes.

The mission of HKI is to save and improve the sight and lives of the world’s vulnerable by combatting the causes and consequences of blindness, poor health and malnutrition through programs based on evidence and research. HKI actively combats the following conditions linked to blindness, disease and death: malnutrition (including micronutrient malnutrition), cataract, diabetic retinopathy, retinopathy of prematurity, refractive error and neglected tropical diseases including onchocerciasis (river blindness), trachoma, intestinal worms, schistosomiasis and lymphatic filariasis. HKI operates in three regions (Africa, Asia and the Americas), encompassing approximately twenty-one countries.

Working with ministries of health, nongovernmental agencies, and local health workers, HKI provides the expertise, training, technical assistance, and other resources to establish evidence-based programs in health and eye care within the existing health care systems of host countries.

HKI Support, Inc. (“*HKI Support*”) was formed as a tax-exempt organization, in which HKI is its sole member. HKI Support’s mission is to support the exempt purpose of HKI.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed by HKI are described below:

BASIS OF PRESENTATION

The financial statements include the accounts of HKI and HKI Support. Significant intercompany transactions have been eliminated in consolidation.

CASH AND CASH EQUIVALENTS

Cash consists of cash on deposit in interest-bearing accounts, certificates of deposit and demand deposits. Cash equivalents consist of highly liquid investments, with original maturities of 91 days or less.

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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results may differ from those estimates.

FAIR VALUE OF FINANCIAL INSTRUMENTS

For the years ended June 30, 2020 and 2019, the fair value of HKI’s marketable securities is based on quoted market prices. Similarly, the carrying value of all other financial instruments potentially subject to value risk (principally consisting of cash, accounts receivable, and accounts payable) approximates fair value.

HELEN KELLER INTERNATIONAL

CONSOLIDATED NOTES TO FINANCIAL STATEMENTS – (Continued)

June 30, 2020 And 2019

CONCENTRATION OF MARKET AND CREDIT RISK

HKI periodically, maintains cash balances in excess of insured limits. Accounting Standards Codification (“ASC”) 825 “*Financial Instruments*” identifies these items as a concentration of credit risk requiring disclosure, regardless of degree of risk. The risk is managed by monitoring the financial institutions in which deposits are made.

Market risk represents the potential loss HKI faces due to the decrease in the value of marketable securities. Credit risk represents the potential loss HKI faces due to the possible nonperformance by obligors and counterparts of the terms of their contracts. Market risk is contained by limiting investments in marketable securities to certificates of deposit, U.S. Government securities, and balanced mutual funds and limiting the holdings in any one security.

MARKETABLE SECURITIES

Marketable securities are carried at fair value with unrealized gains and losses included in the statement of activity and changes in net assets. Donated securities are recorded at their fair value at the date of donation. Dividend and interest income is recorded as earned.

CASH HELD IN INTERNATIONAL OFFICES

Cash held in international offices primarily represents cash in foreign bank accounts that will be used for program activities and is principally located in Asia and Africa. Cash held in international offices includes both cash advanced to field offices by headquarters and cash disbursed directly to field offices by donors.

BENEFICIAL INTERESTS IN PERPETUAL AND RESTRICTED TRUSTS

Beneficial interests in perpetual trusts include HKI’s respective share of the fair value of the total funds held in trust by others for which HKI is the recipient of all or a percentage of the income. HKI has an irrevocable right to receive the income earned on the trust assets, but the trust assets must be held in perpetuity. HKI is also the recipient under a restricted trust whereby HKI receives 10% of the annual income of the trust. The trust terminates in 2041, at which time 10% of the corpus and any accumulated income of the trust will be distributed to HKI.

FIXED ASSETS

Purchased fixed assets are recorded at cost. Contributed fixed assets are recorded at their estimated fair value. Depreciation is provided based upon the estimated useful lives of the assets (3 to 7 years) using the straight-line method. Leasehold improvements are amortized over the life of the lease, using the straight-line method. Amounts not deemed significant are expensed in the year of purchase and allocated to functional areas based upon actual usage.

REVENUE RECOGNITION

HKI recognizes contributions when cash, securities or other assets, and unconditional promise to give, or a notification of a beneficial interest is received. Conditional contributions include donor-imposed conditions with one or more barriers that must be overcome before HKI is entitled to the assets transferred or promised and there is a right of return to the contributor for assets transferred or a right of release of the promisor from its obligation to transfer assets. HKI recognizes the contribution when the conditions are substantially met or explicitly waived. Unconditional contributions are classified as without donor restrictions unless there are donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose of the restriction is accomplished, net assets with donor restrictions are then classified to net assets without donor restrictions and reported in the statement of activities as “*net assets released from restrictions.*”

HELEN KELLER INTERNATIONAL

CONSOLIDATED NOTES TO FINANCIAL STATEMENTS – (Continued)

June 30, 2020 And 2019

A portion of HKI's revenue is derived from cost-reimbursable federal and other grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when HKI has incurred expenditures in compliance with specific grant provisions. Amounts received prior to incurring qualifying expenditures are reported as deferred revenue in the statement of financial position.

HKI was granted a \$1,766,300 loan under the Paycheck Protection Program ("PPP") administered by a Small Business Administration (SBA) approved partner. The loan is uncollateralized and is fully guaranteed by the Federal government. HKI initially recorded the loan as a refundable advance, which was included in Deferred Revenue, and subsequently recognized grant revenue in accordance with guidance for conditional contributions; that is, once the measurable performance or other barrier and right of return of the PPP loan no longer existed. HKI has recognized \$229,414 as grant revenue for the year ended June 30, 2020. The portion of the loan that has not been recognized as revenue as June 30, 2020 was \$1,536,886 and is reported as Deferred Revenue in the Statements of Financial Position. The remaining PPP loan funds will be recognized in fiscal 2021 as qualifying expenses are incurred. To the extent that the PPP loan is not forgiven, HKI is required to repay the remaining advance plus interest accrued at 1% per annum in monthly payments beginning on March 3, 2021. Principal and interest payments will be required through the maturity date, May 3, 2022.

CONTRIBUTIONS OF MEDICAL SUPPLIES, MEDICINES AND OTHER (IN-KIND)

Contributions of medical supplies consist of supplies received from major pharmaceutical companies and are used to fight and prevent blindness. Donated supplies are recorded at estimated fair value based upon the pricing source inputs which considers wholesale prices and donor values on date of receipt. During the years ended June 30, 2020 and 2019, HKI received and distributed \$119,487,000 and \$116,895,000, respectively, of the product Mectizan from a donor for the treatment of onchocerciasis. As a result, contributions – medicines and other (in-kind) and expenses consists primarily of the value of the product Mectizan.

NET ASSETS

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

Net Assets without donor-imposed restrictions – include the revenues and expenses associated with the principal mission of HKI.

Net Assets with donor-imposed restrictions – include gifts for which donor-imposed restrictions have not been met. Also included in this category are net assets required to be held in perpetuity which include:

- ◆ Endowment Fund – Endowment funds include gifts and contributions on which the donor has imposed a restriction requiring that the original corpus must be invested in perpetuity, with only the related income to be made available for use in accordance with the restrictions of the donor.
- ◆ Beneficial Interest in Perpetual Trusts – Beneficial interest in perpetual trusts represents a contribution which the donor has placed with a third party. HKI has the irrevocable right to receive the income earned on the trust assets in perpetuity but cannot receive the assets held in trust.

HELEN KELLER INTERNATIONAL

CONSOLIDATED NOTES TO FINANCIAL STATEMENTS – (Continued)

June 30, 2020 And 2019

FOREIGN CURRENCY TRANSACTIONS

Transactions gains and losses that arise from exchange rate fluctuations denominated in foreign currency are included in program services in the statement of activity and changes in net assets, as incurred. Translation losses amounted to approximately \$151,400 and \$127,800 in 2020 and 2019, respectively.

ALLOCATION OF EXPENSES

The costs of providing the various programs and supporting services have been summarized on the consolidated statement of activities and changes in net assets on a functional basis. Most expenses can be directly allocated to programs or supporting functions. Certain categories of expenses are attributed to more than one program or supporting function. The expenses in these categories include occupancy, depreciation, office expenses, insurance, salaries and wages of support personnel and require allocation on a reasonable basis that is consistently applied. The allocation of expenses is based on allocation factors such as direct cost, level of effort and other factors as determined by management.

INCOME TAXES

Under provisions of the Internal Revenue Code Section 501(c)(3) and the applicable income tax regulations, HKI is exempt from taxes on income. Therefore, no provision for income taxes has been made. HKI has not been classified as a private foundation.

Management has reviewed the tax positions for each of the open fiscal tax years (2017 - 2019) or expected to be taken in HKI's fiscal 2020 tax return and has concluded that there are no significant uncertain tax positions that would require recognition in the financial statements.

PRIOR YEAR INFORMATION

The financial statements include certain prior year summarized comparative information, in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the financial statements of HKI, as of, and for the year ended, June 30, 2019, from which the summarized information was derived.

NEW ACCOUNTING PRONOUNCEMENT - ADOPTED

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 amendments in this update will assist entities in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal transactions) and determining whether a transaction is conditional. Effective July 1, 2019, HKI adopted ASU 2018-08 and evaluated all awards and amendments executed after this date. No changes were made to agreements signed on or before June 30, 2019. The standard was adopted on a modified prospective basis and there were no changes to the opening balance of net assets. Under ASU 2018-08, contributions are conditional if the agreement includes both a donor-imposed barrier that must be overcome and a right of return or release of contributions or release of contributions to be received. The adoption of ASU 2018-08 only impacts awards that were not recognized at the date of adoption.

Also, during 2020, HKI adopted ASU No. 2014-09 – Revenue from Contracts with Customers (Topic 606), as amended. This guidance provides the framework for recognizing revenue and is intended to improve comparability of revenue recognition practices across for-profit and not-for-profit entities. Analysis of the various provisions of this standard resulted in no significant changes in the way HKI recognizes revenue.

HELEN KELLER INTERNATIONAL

CONSOLIDATED NOTES TO FINANCIAL STATEMENTS – (Continued)

June 30, 2020 And 2019

ACCOUNTING PRONOUNCEMENTS - NOT YET ADOPTED

In 2016, the FASB issued ASU 2016-02, Leases (Topic 842). The ASU changes the accounting treatment for operating leases by recognizing a lease asset and lease liability at the present value of the lease payments in the statement of financial position and disclosing key information about leasing arrangements. The ASU is effective for private entities for fiscal years beginning after December 15, 2021. Early adoption is permitted. The ASU should be applied at the beginning of the earliest period presented using a modified retrospective approach. HKI plans to adopt the new ASU at the required implementation date.

(3) MARKETABLE SECURITIES

As of June 30, 2020 and 2019, the cost and the fair value of marketable securities were as follows:

	2020		2019	
	Cost	Fair Value	Cost	Fair Value
Cash and Money Market Funds	\$ 170,656	\$ 170,656	\$ 989,731	\$ 989,731
Certificates of Deposit	6,250,323	6,314,984	1,049,565	1,049,565
U.S. Government Agency – FNMA	32,486	37,207	37,250	41,050
Mutual Funds	<u>446,561</u>	<u>576,987</u>	<u>421,399</u>	<u>547,543</u>
	<u>\$6,900,026</u>	<u>\$7,099,834</u>	<u>\$2,497,945</u>	<u>\$2,627,889</u>

HKI utilized various methods to measure the fair value of its investments on a recurring basis. Generally accepted accounting principles established a hierarchy that prioritizes inputs to valuation methods. The three levels of inputs are described below:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access.
- Level 2 – Observable inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. These inputs may include quoted prices for the identical instrument on an inactive market, prices for similar instruments, interest rates, prepayment speeds, credit risk, yield curves, default rates and similar data.
- Level 3 – Unobservable inputs for the asset or liability, to the extent relevant observable inputs are not available, representing the Organization’s own assumptions about the assumptions a market participant would use in valuing the asset or liability, and would be based on the best information available.

The inputs methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

HELEN KELLER INTERNATIONAL

CONSOLIDATED NOTES TO FINANCIAL STATEMENTS – (Continued)

June 30, 2020 And 2019

The summary of inputs used to value the HKI's investments as of June 30, 2020 and 2019 are as follows:

	2020			
	Total	Level 1	Level 2	Level 3
Investments				
Cash and Money Market Funds	\$ 170,656	\$ 170,656	\$ -	\$ -
Certificates of Deposit	6,314,984	6,314,984	-	-
U.S. Government Agency - FNMA	37,207	-	37,207	-
Mutual Funds	<u>576,987</u>	<u>576,987</u>	-	-
	<u>\$ 7,099,834</u>	<u>\$ 7,062,627</u>	<u>\$ 37,207</u>	<u>\$ -</u>
Beneficial Interest in perpetual and restricted trusts	<u>\$ 1,110,329</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,110,329</u>
	2019			
	Total	Level 1	Level 2	Level 3
Investments				
Cash and Money Market Funds	\$ 989,731	\$ 989,731	\$ -	\$ -
Certificates of Deposit	1,049,565	1,049,565	-	-
U.S. Government Agency - FNMA	41,050	-	41,050	-
Mutual Funds	<u>547,543</u>	<u>547,543</u>	-	-
	<u>\$ 2,627,889</u>	<u>\$ 2,586,839</u>	<u>\$ 41,050</u>	<u>\$ -</u>
Beneficial Interest in perpetual and restricted trusts	<u>\$ 1,122,152</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,122,152</u>

The changes in the Beneficial Interest in perpetual and restricted trusts measured at fair value for which HKI used Level 3 inputs to determine fair value are as follows:

	2020	2019
Beginning balance	\$ 1,122,152	\$ 1,135,993
Realized/unrealized gains (losses) – net/change in valuation	<u>(11,823)</u>	<u>(13,841)</u>
Ending balance	<u>\$ 1,110,329</u>	<u>\$ 1,122,152</u>

The beneficial interest in perpetual and restricted trusts is measured at the fair value of the underlying investments. Since HKI does not have access to the underlying investments, fair value measurement is Level 3.

HELEN KELLER INTERNATIONAL

CONSOLIDATED NOTES TO FINANCIAL STATEMENTS – (Continued)

June 30, 2020 And 2019

(4) CONTRIBUTIONS RECEIVABLE

Contributions receivable are due as follows:

	<u>2020</u>	<u>2019</u>
Due in less than one year	\$ 5,991,496	\$ 6,054,710
Due in one to five years	<u>4,023,697</u>	<u>6,479,240</u>
Total contributions receivable	10,015,193	12,533,950
Less: Discount at 0.16% and 1.75% at June 30, 2020 and 2019, respectively	<u>(5,528)</u>	<u>(110,594)</u>
Net present value of contributions receivable	<u>\$ 10,009,665</u>	<u>\$ 12,423,356</u>

No allowance for uncollectible contributions receivable has been recorded at June 30, 2020 and 2019 based on management's estimate of collectability.

(5) FIXED ASSETS

Fixed assets, as of June 30, 2020 and 2019, were comprised of the following:

	<u>2020</u>	<u>2019</u>
Furniture and equipment	\$ 2,017,589	\$ 1,915,482
Leasehold improvements	18,998	18,998
Field office furniture, vehicles and equipment	<u>3,878,452</u>	<u>4,023,579</u>
	5,915,039	5,958,059
Less: accumulated depreciation and amortization	<u>(4,840,836)</u>	<u>(4,595,144)</u>
	<u>\$ 1,074,203</u>	<u>\$ 1,362,915</u>

Field office furniture and equipment are located primarily in Asia and Africa.

HELEN KELLER INTERNATIONAL

CONSOLIDATED NOTES TO FINANCIAL STATEMENTS – (Continued)

June 30, 2020 And 2019

(6) NET ASSETS

Net assets with donor-imposed restrictions are available at June 30 as follows:

	<u>2020</u>	<u>2019</u>
<i>Restricted by Purpose</i>		
US Vision Programs	\$ 839,399	\$ 1,427,099
Neglected Tropical Diseases	5,270,343	1,399,353
Nutrition	37,639,596	32,831,577
International Eye Health	<u>791,591</u>	<u>814,258</u>
	<u>44,540,929</u>	<u>36,472,287</u>
<i>Perpetual in Nature</i>		
Beneficial interest in perpetual trusts	1,028,436	1,044,409
Endowment funds	<u>22,094</u>	<u>22,094</u>
	<u>1,050,530</u>	<u>1,066,503</u>
Total donor restricted net assets	<u>\$ 45,591,459</u>	<u>\$ 37,538,790</u>

During the year ended June 30, 2020, net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes.

Net Assets with donor restrictions:

US Vision Programs	\$ 2,865,792
Neglected Tropical Diseases	15,254,715
Nutrition	46,767,087
International Eye Health	<u>1,958,396</u>
	<u>\$ 66,845,990</u>

(7) EMPLOYEE RETIREMENT PLANS

HKI has a defined contribution (money purchase) plan, which qualifies under section 403(b) of the Internal Revenue Code. An employee becomes eligible for participation upon reaching twenty-one years of age. HKI matches up to 5% of gross salary for qualified employees of the plan. Plan contributions by HKI were approximately \$460,100 and \$470,400 for the years ended June 30, 2020 and 2019, respectively.

HKI has also established a non-qualified retirement plan for eligible employees working overseas who are not United States citizens or resident aliens. HKI contributes 5% of gross salary to the plan for eligible employees. Employer contributions under the plan were approximately \$101,000 and \$99,300 for the years ended June 30, 2020 and 2019, respectively.

HELEN KELLER INTERNATIONAL

CONSOLIDATED NOTES TO FINANCIAL STATEMENTS – (Continued)

June 30, 2020 And 2019

(8) LINE OF CREDIT

Since April 2020, HKI has a line of credit with a bank in the amount of \$3,000,000. HKI can elect the interest rate to be used at the time for each request of an advance equal to (a) the greater of the bank's prime rate or 2% over the bank's one month rate on deposits; or (b) the London Interbank Offered Rate (LIBOR) plus .75%. Any advance under the line will be made at the bank's discretion in an amount of not less than \$100,000. The line is collateralized by all contribution receivables. HKI is required to maintain a minimum liquidity of \$3,000,000 of cash, cash equivalents and investments. The line matures February 28, 2021. There was no amount outstanding on the line at June 30, 2020.

(9) LOAN PAYABLE

HKI had a loan facility from a foundation which had an initial available balance of 1,500,000 Australian dollars (approximately \$1,151,000). HKI could draw on the facility through July 1, 2017 to assist with the implementation of the new enterprise resource planning system. Advances on the loan accrued interest at a rate of 1.53%. Accrued interest was payable at the end of each calendar year, however, the foundation agreed to donate the interest paid back to HKI. Quarterly payments of principal began on July 1, 2018 and the loan was paid off in June 2020. The loan balance was collateralized by grants receivable (excluding U.S. and foreign governments) and unrestricted contributions receivable. The outstanding balance at June 30, 2019 was \$326,702.

(10) COMMITMENTS AND CONTINGENCIES

LEASE

HKI leases office space in New York City under a lease which commenced January 2018 and expires December 2025. In addition, HKI leases certain office equipment under operating leases expiring through April 2022. Most international office leases are paid in advance or are month-to-month basis.

The minimum annual rentals payable under the leases are as follows:

<u>Year Ending June 30,</u>	<u>Amounts Per Lease Agreements</u>
2021	\$ 968,000
2022	888,400
2023	792,700
2024	710,300
2025	710,700
Thereafter	<u>355,400</u>
Future minimum lease payments	<u>\$4,425,500</u>

Rent expense, including for lease agreements that are less than one year in length, for the years ended June 30, 2020 and 2019 was approximately \$1,712,600 and \$1,726,600, respectively.

As of June 30, 2020 and 2019, there was a \$100,000 letter of credit to the landlord in lieu of a security deposit.

HELEN KELLER INTERNATIONAL

CONSOLIDATED NOTES TO FINANCIAL STATEMENTS – (Continued)

June 30, 2020 And 2019

GRANTS

Grant awards received from the U.S. Government and certain other grantors are subject to audit by those grantors. In the opinion of management, no material liability exists, if any, in connection therewith which would materially affect the financial position of HKI.

Additionally, under the terms of the U.S. Government grants, which are made based upon the acceptance by the U.S. Government of the program proposals submitted by HKI, amounts are stipulated for both direct program costs and HKI administrative overhead costs. The administrative overhead rate used by HKI, while provisionally approved, is subject to review and final approval by the U.S. Government. The HKI administrative overhead rate has been approved through June 30, 2018. Management believes that any adjustment to the 2020 and 2019 administrative overhead rate, if any, will not have a material effect on the financial position or operating results of HKI.

(11) CONDITIONAL PROMISES TO GIVE

At June 30, 2020 HKI has received conditional promises to give, which are subject to donor-imposed conditions including barriers that must be overcome by HKI and a right of release of donor from their obligation to transfer any future payments, as follows:

Contributions – corporations, foundations and individuals	\$ 17,121,603
Grants - US Government agencies	32,416,857
Grants – Non U.S. Government agencies	<u>4,752,130</u>
	<u>\$ 54,290,590</u>

(12) FINANCIAL ASSETS AND LIQUIDITY RESOURCES

The following table reflects HKI's financial assets as of June 30, 2020 and 2019, reduced by amounts that are not available by contractual restrictions and/or Board designations to meet general expenditures within one year of the statement of financial position date because of contractual restrictions.

	<u>2020</u>	<u>2019</u>
Financial Assets		
Cash and cash equivalents	\$ 41,771,120	\$ 29,239,514
Cash held in international offices	4,462,081	7,566,275
Investments	7,099,834	2,627,889
Grants receivable	6,631,286	6,401,633
Contributions receivable, current portion	<u>5,991,496</u>	<u>6,054,710</u>
Total financial assets	65,955,817	51,890,021
Less:		
Purpose restricted net assets	(40,522,759)	(30,103,641)
Net assets required to be held in perpetuity	(22,094)	(22,094)
Gift annuities	<u>(92,872)</u>	<u>(90,172)</u>
Total financial assets available within one year	<u>\$ 25,318,092</u>	<u>\$ 21,674,114</u>

HELEN KELLER INTERNATIONAL

CONSOLIDATED NOTES TO FINANCIAL STATEMENTS – (Continued)

June 30, 2020 And 2019

The organization receives significant contributions restricted by donors, and considers contributions restricted for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. As such, if expenditures are incurred and meet the purpose restrictions, these purpose restricted net assets will be available to meet these expenditures over the next twelve months. The organization manages its liquidity and reserves following three guiding principles: Operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. The organization has a liquidity policy to maintain current financial assets less current liabilities at a target minimum equal to 6 months of average recurring operating costs by setting aside at least an average of two percent (2%) of annual unrestricted proceeds over a rolling three-year period. To achieve these targets, the organization monitors its liquidity quarterly and monitors its reserves annually. In addition, HKI maintains a line of credit with a bank in the amount of \$3,000,000 which can be drawn upon if needed.

(13) CONTINGENCIES

In early 2020, an outbreak of a novel strain of coronavirus (COVID-19) emerged globally. As a result, there have been mandates from federal, state and local authorities resulting in an overall decline in economic activity. The current operating environment is changing rapidly. The extent of the impact that the COVID-19 pandemic will have on the financial performance of HKI's investments and operations is not reasonably estimable as of the date that the financial statements were available for issuance. HKI will continue to monitor the effects of the COVID-19 pandemic and will adjust its operations as necessary.

(14) SUBSEQUENT EVENTS

Subsequent events after the balance sheet date through the date that the financial statements were available for issuance, January 12, 2021 have been evaluated in the preparation of the financial statements and management has determined that there are no subsequent events that would require disclosure or adjustment in the financial statements.