EBD
Edmondson, Betzler & Dame
Certified Public Accountants

October 8, 2020

To the Board of Directors
Be a Helping Hand Foundation

We have audited the financial statements of Be A Helping Hand Foundation for the years ended December 31, 2019 and 2018, and we will issue our report thereon dated October 8, 2020. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated May 6, 2020. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Be A Helping Hand Foundation are described in Note 1 to the financial statements. As described in Note 1, the Foundation changed accounting policies related to net asset classification by adopting FASB Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities*, in 2018. We noted no transactions entered into by the Foundation during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

> Management's estimate of the allowance for doubtful accounts is based on historic collection experience and an analysis of the collectability of individual accounts. We evaluated the key factors and assumptions used to develop the allowance in determining that it is reasonable in relation to the financial statements taken as a whole.
>
> Management's estimate of the depreciable lives of fixed assets is based on management's estimate of their future use. We evaluated the key factors and assumptions used to develop the depreciable lives of fixed assets in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements.

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The following material adjustments detected as a result of the audit procedures were corrected by management:

Interest expense understated	$15,016
Contributions understated	$79,800
Property held for lease overstated	$31,937
Computers and equipment understated	$19,163

Disagreements with Management

For purposes of this letter, a disagreement with management is a disagreement on a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 8, 2020.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Foundation's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention. A separate letter dated October 8, 2020 has been furnished to management discussing internal control related issues of the Foundation.

This information is intended solely for the use of the Board of Directors and Management of Be A Helping Hand Foundation and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Edmondson, Betzler & Dame, PLLC

Edmondson, Betzler and Dame, PLLC

BE A HELPING HAND FOUNDATION
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT
YEARS ENDED DECEMBER 31, 2019 AND 2018

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AND
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Edmondson, Betzler & Dame
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Be A Helping Hand Foundation

We have audited the accompanying financial statements of Be A Helping Hand Foundation (a Tennessee not-for-profit 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 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 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 Be A Helping Hand Foundation as of December 31, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Edmondson, Betzler & Dame, PLLC

October 8, 2020

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BE A HELPING HAND FOUNDATION
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2019 AND 2018

ASSETS

	2019	2018
Current assets:		
Cash and cash equivalents	$ 155,971	$ -
Cash and cash equivalents - restricted	21,300	2,792
Total cash and cash equivalents	177,271	2,792
Accounts receivable, net	48,975	23,286
Grants receivable	16,063	-
Total current assets	242,309	26,078
Property and equipment, net	3,223,500	2,914,010
Other assets	5,400	400
Total assets	$ 3,471,209	$ 2,940,488

LIABILITIES AND NET ASSETS

Current liabilities:		
Accounts payable	$ 162,705	$ 87,335
Accrued property taxes payable	32,161	31,712
Lines of credit	137,806	142,082
Notes payable - related parties	-	196,598
Current portion of notes payable	893,795	70,105
Tenant security deposits	19,885	23,285
Other current liabilities	11,368	25,775
Total current liabilities:	1,257,720	576,892
Long-term portion of notes payable	235,223	854,322
Total liabilities	1,492,943	1,431,214
Net assets:		
Without donor restrictions	1,978,266	1,509,274
Total net assets	1,978,266	1,509,274
Total liabilities and net assets	$ 3,471,209	$ 2,940,488

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

BE A HELPING HAND FOUNDATION
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
SUPPORT AND REVENUE:		
Grant revenue	$ 562,111	$ 25,740
Rental income and fees	342,942	323,409
Contributions	32,203	80,300
Other income	3,451	7,237
Total support and revenue	940,707	436,686
EXPENSES:		
Program services	522,948	553,056
Management and general	193,311	202,399
Total expenses	716,259	755,455
Gain on property sales, net of closing costs of $30,064	244,544	-
Change in net assets	468,992	(318,769)
Net assets, beginning of year	1,509,274	1,828,043
Net assets, end of year	$ 1,978,266	$ 1,509,274

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

BE A HELPING HAND FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2019

	Program Services	Support Services	
	Low Income Housing	Management and General	Total
Salaries	$ 125,422	$ 53,752	$ 179,174
Payroll taxes	10,272	4,403	14,675
Employee benefits	9,491	4,068	13,559
Total payroll and related expense	145,185	62,223	207,408
Depreciation	107,058	-	107,058
Repair and maintenance	95,771	5,641	101,412
Interest	43,273	16,344	59,617
Contract services	19,946	24,734	44,680
Property tax	31,635	-	31,635
Property management fees	30,642	-	30,642
Bad debt expense	-	23,514	23,514
Utilities	9,952	12,841	22,793
Insurance	19,371	-	19,371
Rent	-	17,400	17,400
Contributions	11,963	-	11,963
Professional fees	6,267	4,971	11,238
Travel and meals	-	9,692	9,692
Office expenses	-	7,227	7,227
Memberships and subscriptions	-	4,916	4,916
Miscellaneous	-	2,553	2,553
Security	741	478	1,219
Bank charges and recording fees	637	377	1,014
Penalties and late fees	507	-	507
Advertising	-	400	400
	$ 522,948	$ 193,311	$ 716,259

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

BE A HELPING HAND FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2018

	Program Services	Support Services	
	Low Income Housing	General and Administrative	Total
Salaries	$ 103,088	$ 44,180	$ 147,268
Employee benefits	7,860	3,369	11,229
Payroll taxes	7,932	3,399	11,331
Total payroll and related expense	118,880	50,948	169,828
Repair and maintenance	174,589	4,293	178,882
Depreciation	109,273	-	109,273
Interest	35,771	24,043	59,814
Contract services	9,956	33,798	43,754
Property tax	32,854	-	32,854
Property management fees	30,874	-	30,874
Professional fees	1,820	22,766	24,586
Utilities	10,421	12,836	23,257
Rent	-	17,400	17,400
Insurance	14,418	-	14,418
Contributions	11,837	-	11,837
Travel and meals	-	9,992	9,992
Office expenses	-	9,354	9,354
Bad debt expense	-	7,123	7,123
Miscellaneous	-	5,044	5,044
Memberships and subscriptions	-	4,153	4,153
Bank charges and recording fees	1,733	140	1,873
Penalties and late fees	630	-	630
Security	-	409	409
Advertising	-	100	100
	$ 553,056	$ 202,399	$ 755,455

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

BE A HELPING HAND FOUNDATION
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
Cash flows from operating activities:		
Increase (decrease) in net assets	$ 468,992	$ (318,769)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities:		
Depreciation	107,058	109,273
Amortization of deferred loan costs	6,169	3,289
Donated land for home construction	(29,800)	(79,800)
Bad debt expense	23,514	7,123
Gain on property sales	(244,544)	-
Changes in operating assets and liabilities:		
Increase in accounts receivable	(48,903)	(19,144)
(Increase) decrease in grants receivable	(16,063)	30,880
Increase in other assets	(5,000)	-
Increase (decrease) in accounts payable	75,370	52,011
Increase (decrease) in accrued property taxes payable	449	(763)
Increase (decrease) in other current liabilities	(11,615)	16,286
Decrease in refundable security deposits	(3,400)	(1,049)
Net cash provided by (used in) operating activities	322,227	(200,663)
Cash flows from investing activities:		
Purchase of property and equipment	-	(23,663)
Additions to construction in progress	(484,108)	-
Proceeds from sales of property	434,000	-
Costs associated with sale of property	(83,966)	-
Costs associated with donated land	(12,106)	(7,419)
Net cash used in investing activities	(146,180)	(31,082)
Cash flows from financing activities:		
Proceeds from lines of credit	-	14,016
Payments on lines of credit	(4,276)	(8,200)
Proceeds from notes payable - related parties	20,000	163,500
Payments on notes payable - related parties	(216,598)	(4,310)
Proceeds from notes payable	325,050	140,000
Payments on notes payable	(119,939)	(101,238)
Deferred loan costs incurred	(5,805)	(4,326)
Net cash provided by (used in) financing activities	(1,568)	199,442
Net increase (decrease) in cash, cash equivalents, and restricted cash	174,479	(32,303)
Cash, cash equivalents, and restricted cash, beginning of year	2,792	35,095
Cash, cash equivalents, and restricted cash, end of year	$ 177,271	$ 2,792
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	$ 74,817	$ 41,509

Non-cash transactions:
During 2018, the Foundation refinanced two notes with principle balance of $21,201 and $21,184 into one note with a balance of $43,267.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

Be A Helping Hand Foundation (the Foundation), a non-profit organization, was established in April 2001. The Foundation's mission is to provide affordable housing, free education, job training, and job placement assistance in the construction industry. Properties have been purchased and rehabilitated in low-income neighborhoods to be made available for renters and home buyers in need of safe, clean, family homes.

Basis of Accounting

The financial statements of the Foundation have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America and accordingly reflect all significant receivables, payables, and other liabilities.

Financial Statement Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. The Center reports information regarding its financial position and activities according to two classes of net assets: net assets with donor restrictions and net assets without donor restrictions. The Center reported no net assets with donor restrictions at December 31, 2019 and 2018.

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 reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Revenue Recognition

All donor-restricted support is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), donor restricted net assets are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Grant Revenue

Grant revenue is recognized when the qualifying costs are incurred for cost reimbursement grants or contract or when services are provided for performance grants. Grant revenue is subject to review by grantor agencies. The review could result in the disallowance of expenditures under the terms of the grant or reductions of future grant funds. Based on prior experience, management believes if any costs are disallowed, they would not materially affect the financial position of the Foundation.

Cash and Cash Equivalents

For the purposes of the statements of cash flows, the Foundation considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents. Cash and cash equivalents during the year may exceed Federal Deposit Insurance Corporation ("FDIC") limits.

Accounts Receivable

The Foundation uses the allowance method to determine uncollectible receivables. Management's estimate of doubtful accounts is based on historical collection experience and a review of the current composition of the receivables. At December 31, 2019 and 2018, there was an allowance for doubtful accounts of $30,637 and $7,123, respectively. It is reasonably possible that management's estimate of the allowance for doubtful accounts may change. Receivables are charged against the allowance when collection is considered unlikely due to historic or current experience. Bad debt expenses for the years ended December 31, 2019 and 2018, totaled $23,514 and $7,123, respectively. Receivables are considered past due after 30 days, however, it is not the policy of the Foundation to assess a late fee, or apply interest to past due accounts.

Property and Equipment

Purchased property and equipment is recorded at cost, and donated property and equipment is recorded at fair market value. Contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulation regarding how long those donated assets must be maintained, the Foundation reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Center reclassifies temporarily restricted net assets to unrestricted net assets at that time. Depreciation is provided over the estimated useful lives of 5 – 27.5 years on a straight-line basis. The Foundation capitalizes other items that are greater than or equal to $1,000 and expenses items below $1,000.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment (continued)

The Foundation reviews the carrying value of property and equipment for impairment if event or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected from its use and eventual disposition. In cases where undiscounted expected future cash flows are less than carrying value, the Foundation recognizes an impairment loss equal to the amount by which the carrying value exceeds the fair market value of the asset. The factors considered by management in performing this assessment include current operating results, trends, and prospects, and the effects of obsolescence, demand, competition, and other economic factors. Based on management's assessment, there is no impairment required at December 31, 2019 and 2018.

Property Held for Sale

Real estate held for sale is recorded at the lower of cost or fair value less cost to sell. During 2019, two properties were determined to be held for sale and sold by year end. No property was held for sale at December 31, 2019 and 2018.

Deferred Loan Costs

Loan costs related to obtaining notes payable are capitalized and amortized on a straight-line basis over the life of the related debt. When the debt is paid in full, any unamortized financing costs are removed from the related accounts and charged to operations. Unamortized loan costs are offset against the related debt in the Statement of Financial Position, with the amortization being reported as interest expense.

Advertising Costs

The Center expenses all advertising costs as incurred. Total advertising expense amounted to $400 and $100 in 2019 and 2018, respectively.

Income Tax Status

The Foundation is exempt from federal income tax under Internal Revenue Code section 501(c)(3). Accordingly, no provision for income taxes has been made in the accompanying financial statements.

The Foundation has adopted ASC Topic 740-10, *Accounting for Uncertainty in Income Taxes,* which prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return, including the position that the Center continues to qualify to be treated as a tax-exempt entity for both federal and state income tax purposes.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Tax Status (continued)

For those benefits to be recognized, a tax position must be more–likely-than-not to be sustained upon examination by taxing authorities. For the year ended December, 2019, the Foundation has no material uncertain tax positions to be accounted for in the financial statements under these rules. The Center has exempt organization tax filings open to Internal Revenue Service audit, generally, for three years after they are filed.

Functional Classification of Expenses

The Foundation's program service expense includes low-income housing. The costs of providing the program and other activities have been summarized on a functional basis in the Statements of Activities. Accordingly, salaries, employee benefits, and payroll tax expenses have been allocated among the programs and supporting services benefited, based on time and effort of staff as determined by management. All other expenses were directly assigned.

Contributed Services

The Foundation receives a significant amount of donated services from unpaid volunteers. No amounts have been reflected in the financial statements for those services since they do not meet the criteria for recognition set forth by accounting principles generally accepted in the United States of America.

Change in Accounting Principle

In August 2016, the FASB issued Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. The Association has adopted the guidance and has applied the changes retrospectively to all periods presented. The new standard changes the following aspects of the Association's financial statements:

- The unrestricted net asset class has been renamed net assets without donor restrictions.
- The temporarily and permanently restricted net asset classes have been combined into a single net asset class called net assets with donor restrictions.
- The financial statements include a disclosure about liquidity and availability of resources in Note 2.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Change in Accounting Principle (Continued)

A summary of the net asset reclassifications driven by the adoption of ASU 2016-14 as of December 31, 2018 is as follows:

	ASU 2016-14 Classifications		
Net Asset Classifications	Without Donor Restrictions	With Donor Restrictions	Total
As previously presented:			
Unrestricted	$ 1,509,274	$ -	$ 1,509,274
Temporarily restricted	-	-	-
Permanently restricted	-	-	-
Net assets as reported	$ 1,509,274	$ -	$ 1,509,274

NOTE 2 - LIQUIDITY AND AVAILABILITY OF RESOURCES

The Center has $226,246 of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditures. Cash and cash equivalents of $155,971, is not restricted by donors, and $21,300 is restricted by donors, as of financial statement date and accounts receivable of $48,975. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the statement of financial position date.

The Center has a goal to maintain financial assets, which consist of cash and short-term investments, on hand to meet 90 days of normal operating expense, which are, on average, approximately, $176,000.

NOTE 3 - RESTRICTED CASH

The tenant security deposit liability was $19,885 and $23,285 at December 31, 2019 and 2018, respectively. The Foundation is required to maintain a restricted cash account for these deposits. This cash account was fully funded, with an amount of $21,300 at December 31, 2019; however, it was underfunded by $20,493 at December 31, 2018, as the restricted cash account had a balance of $2,792. This account was subsequently funded during May 2019.

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	2019	2018
Property held for lease	$ 2,796,683	$ 2,884,550
Land held for lease	568,340	577,619
Construction in progress	484,108	-
Computers and equipment	32,840	32,840
Leasehold improvements	4,403	4,403
	3,886,374	3,499,412
Less: accumulated depreciation	(662,874)	(585,402)
	$ 3,223,500	$ 2,914,010

Depreciation expense for the years ended December 31, 2019 and 2018 totaled $107,058 and $109,273, respectively.

Interest costs capitalized to construction in progress during 2019 were $9,990. No interest was capitalized during 2018, as there were no construction projects in progress.

At December 31, 2019 and 2018 the Foundation executed operating leases for their properties that were held for lease. None of the aforementioned leases were for more than one year. Rental income and fees from property held for lease totaled $336,442 and $317,409 for the year ended December 31, 2019 and 2018, respectively. As of December 31, 2019 and 2018, accumulated depreciation for property held for lease was $646,432 and $573,642, respectively.

NOTE 5 - GRANTS

The Foundation has entered into a significant number of grant agreements to purchase and rehabilitate homes for affordable rental housing. Additionally, the Foundation has entered into numerous agreements for land and funding for new construction of affordable rental homes. Under the terms of these agreements, the Foundation has agreed to repay certain funds if they violate certain terms or sale the home during the "affordability period," which is from five to twenty years from the date of the project completion. The Foundation has classified these properties as available for lease and does not anticipate that the homes will be available for sale in the "affordability period." Therefore, no liability is recorded in these financial statements for the years ended December 31, 2019 and 2018.

NOTE 5 - GRANTS (CONTINUED)

During 2019, the Foundation determined it was advantageous to sale one of the aforementioned properties due to the realty market condition in Nashville. The transaction completed before the "affordability period" was complete, therefore the Foundation incurred a $50,000 repayment of funds to Metropolitan Development and Housing Agency (MDHA). This repayment of funds is shown as a reduction to the gain on property sales in the Statement of Activities.

In August 2017, the Foundation was awarded $428,110 from the Barnes Fund for Affordable Housing. This funding will be used to construct two townhomes containing four units for families with monthly initial rents of $644 each and serve families at 30% - 60% of Area Median Income. Construction for this project began in 2019. Of the initial $428,110 award, $254,012 has been received, leaving an amount due to the Foundation of $174,098 at December 31, 2019. Costs incurred are included in construction in progress at December 31, 2019.

In November 2018, the Foundation was awarded $395,937 by Metropolitan Housing and Development Agency (MDHA) under the Community Housing Development Organization – HOME Program. The funding provided by this agreement will be used to construct two townhomes containing four units for families under 60% of Area Median Income. Monthly initial rents will be $1,038 each. Construction for this project began in 2019. Of the initial $395,937 award, $317,742 has been received, leaving an amount due to the Foundation of $78,195 at December 31, 2019. Costs incurred are included in construction in progress at December 31, 2019.

In September 2019, the Foundation was awarded $155,092 by Metropolitan Housing and Development Agency (MDHA) under the Community Housing Development Organization – HOME Program. The funding provided by this agreement will be used to construct a single family home for families under 60% of Area Median Income. Monthly initial rents will be $1,109. Construction for this project began in 2019. Of the initial $155,092 award, nothing has been received, leaving the original amount due to the Foundation at December 31, 2019. Costs incurred are included in construction in progress at December 31, 2019.

While entering into these agreements, the Foundation also received parcels of land from MDHA. These parcels are recognized as contributions as received. Appraised values of these contributions were $29,800 and $79,800 at December 31, 2019 and 2019, respectively.

NOTE 6 - LINES OF CREDIT

The Foundation established a revolving line of credit with Pinnacle National Bank, that matures at October 3, 2034. Interest, at the Bank's Prime Rate plus 1%, which is 5.75% and 6.50%, respectively, at December 31, 2019 and 2018, is due monthly. At December 2019 and 2018, the line of credit had an outstanding balance of $78,710 and $79,386, respectively, and is secured by a house and real property, which had a carrying value of $124,027 at December 31, 2019 and 2018, and is personally guaranteed by the Executive Director and his spouse.

NOTE 6 - LINES OF CREDIT (CONTINUED)

The Foundation has established a $90,000 revolving line of credit at SunTrust Bank, which is due on demand. Interest, at the Bank's Prime Rate plus 1%, which is 6.75% and 7.50%, at December 31, 2019 and 2018, respectively, is due monthly. At December 31, 2019 and 2018, the line of credit had an outstanding balance of $59,096 and $62,696, respectively, and is secured by a lien on the Foundation's assets.

NOTE 7 - OTHER CURRENT LIABILITIES

As of December 31, other current liabilities consist of the following:

	2019	2018
Accrued interest payable	$ 2,534	$ 15,016
Other deposits payable	4,000	4,000
Accrued payroll	4,834	2,857
Checks written in excess of deposits	-	3,902
	$ 11,368	$ 25,775

NOTE 8 - NOTES PAYABLE

Notes payable secured by low income rental properties at December 31, 2019 and 2018 consist of the following:

	2019	2018
Secured promissory note payable to Pinnacle National Bank in 120 monthly installments of $871 beginning in February 2018, secured by a house and real property with a carrying value of approximately $95,493 and $99,339, respectively, at December 31, 2019 and 2018, with an interest rate of 5.50% until February 2023, when a variable rate applies.	$ 68,087	$ 74,368
Secured promissory note payable to Pinnacle National Bank in 120 monthly installments of $370 beginning in February 2018, secured by a house and real property with a carrying value of approximately $87,018 and $90,323, respectively, at December 31, 2019 and 2018, including a variable interest rate which is 4% below the Index (0.75% and 1.50% at December 31, 2019 and 2018, respectively.)	35,613	39,544

NOTE 8 - NOTES PAYABLE (CONTINUED)

	2019	2018
Secured promissory note payable to Pinnacle National Bank in 120 monthly installments of $855 beginning October 2016, secured by a house and real property with a carrying value of approximately $87,164 and $90,664, respectively, at December 31, 2019 and 2018, including a fixed interest rate of 5.50% at December 31, 2019 and 2018, until September 2021 when a variable rate applies.	$ 58,029	$ 64,872
Secured promissory note payable to Pinnacle National Bank in 120 monthly installments of $406 beginning January 2017, secured by a house and real property with carrying value of approximately $64,138 and $ 66,309, respectively, at December 31, 2019 and 2018, including interest at Prime less 4% (0.75% and 1.50% at December 31, 2019 and 2018, respectively), maturing December 2026.	35,061	39,437
Secured promissory note payable to Pinnacle National Bank in 180 monthly installments of $554 beginning April 2017, secured by a house and real property with a carrying value of approximately $101,905 and $105,781 at December 31, 2019 and 2018, respectively, including a variable interest rate of 5.50% at December 31, 2019 and 2018, maturing March 2037, and personally guaranteed by the Executive Director.	73,533	76,006
Secured promissory note payable to Truxton Trust in 59 monthly installments of $3,977 beginning January 2016, secured by 13 houses and real properties with a carrying value of approximately $1,249,919 and $1,387,164, respectively at December 31, 2019 and 2018, including interest at Prime less 4% (0.75% and 1.5% at December 31, 2019 and 2018, respectively), maturing in November 2020, with final balloon payment.	542,821	583,104
Secured promissory note payable to The Housing Fund, interest only payments beginning February 2019 with interest at Prime plus 2% (6.75% at December 31, 2019), secured by real property with a carrying value of $37,899 at December 31, 2019, maturing February 2020.	90,000	-

NOTE 8 - NOTES PAYABLE (CONTINUED)

	2019	2018
Secured promissory note payable to The Housing Fund, interest only payments beginning July 2019 with interest at Prime plus 2% (6.75% at December 31, 2019), secured by real property with a carrying value of $58,659 at December 31, 2019, maturing June 2020.	$ 145,050	$ -
Secured promissory note payable to The Housing Fund, interest only payments beginning November 2019 with interest at Prime plus 2% (6.75% at December 31, 2019), secured by real property with a carrying value of $29,800 at December 31, 2019, maturing November 2020.	90,000	-
Other notes	-	56,638
Total notes payable	1,138,194	933,969
Less: current portion	(893,795)	(70,105)
Less: unamortized issuance costs, net	(9,176)	(9,542)
Long-term portion	$ 235,223	$ 854,322

Maturities of notes payable as of December 31, 2019 are summarized as follows:

Year	Amount
2020	$ 893,795
2021	26,907
2022	27,944
2023	29,038
2024	30,191
2025 and thereafter	130,319
	$ 1,138,194

NOTE 9 – RELATED PARTY TRANSACTIONS

The Foundation leases office space from the Executive Director under a lease agreement ending in April 2022. Total rent expense under this lease in 2019 and 2018 was $17,400. Future minimum lease commitments for the lease agreement are $23,400 for both 2020 and 2021 and $7,800 for 2022.

The Foundation subleases some of its office space to Life Choice Management, a company owned by the Executive Director's spouse. The sublease is $500 a month for the period October 1, 2019 through September 30, 2021. Total sublease income was $6,500 and $6,000 in 2019 and 2018, which is included in rental income. Under this sublease, the Foundation will receive $6,000 in 2020, and $4,500 in 2021.

The Foundation is also in an agreement with Life Choice Management for rental property management services. Management fees paid to Life Choice Management were $30,642 and $30,874 in 2019 and 2018, respectively. Amounts recorded in accounts payable on the Statements of Financial Position were $2,422 and $9,795 as of December 31, 2019 and 2018, respectively.

In 2019, the Foundation advanced employees approximately $7,750. Additionally, the Foundation allowed employees' personal use of Foundation credit cards amounting to approximately $4,740 and $15,680 in 2019 and 2018, respectively. The total unpaid balance of these employee loans as of December 31, 2019 and 2018 was $17,267 and $10,679, respectively, and was recorded in accounts receivable.

The Foundation sold a parcel of real property to the Executive Director and his spouse in 2019. The gain recognized on this transaction was $54,814.

The Foundation inadvertently overpaid the Executive Director while repaying the notes payable and accrued interest to him. Due to this overpayment, as of December 31, 2019 the Executive Director owes the Foundation $30,087. This amount was recorded in accounts receivable.

NOTE 10 – SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events through October 8, 2020, the date the financial statements were available to be issued.

During March 2020, a powerful storm, including a tornado, impacted northern Nashville where the Foundation's rental properties are located. While not all properties were impacted, repair and replacement of damage property has changed the timeline for certain projects that were in progress as of year-end.

Beginning in March 2020, the federal and state governments began measures to control economic effects caused by the Coronavirus-19 (COVID-19) pandemic. While the pandemic has caused economic uncertainties, management acknowledges there could be a financial impact to the Foundation, although it is uncertain at this time.

EBD
Edmondson, Betzler & Dame
Certified Public Accountants

October 8, 2020

To the Board of Directors and Management
Be a Helping Hand Foundation

In planning and performing our audit of the financial statements of Be A Helping Hand Foundation as of and for the year ended December 31, 2019, in accordance with auditing standards generally accepted in the United States of America, we considered Be a Helping Hand Foundation's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the Foundation's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the following deficiencies in Be A Helping Hand Foundation's internal control to be material weaknesses:

Software Conversion

We noted that beginning account balances for 2018 did not agree to the ending balance of previously audited financials. The cause of the differences was due to errors that resulted from the general ledger conversion from QuickBooks Desktop Edition to QuickBooks Online. The general ledger represents the accounting record of the Foundation, and is the source document for the preparation of financial statements. Therefore, it is important that the general ledger be accurate so that management can make informed financial decisions. We recommend that a reconciliation be performed on future software system conversions to ensure that balances are transferred properly.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies in Be a Helping Hand Foundation's internal control to be significant deficiencies:

Bank Reconciliations

During the audit, it was discovered that the cash accounts were being reconciled to the incorrect book balance amounts. This is most likely caused by changes in revenue and expense accounts that are recorded after the reconciliation date of the bank statements. Entries posted after the period close without oversight can lead to errors throughout the financial statements. We recommend that all entries be proposed prior to bank reconciliations being performed.

Revenue Recognition

During the audit, we noted that rental revenue was being recorded on a cash basis. A tenant receivable sub-ledger is provided by the property management company that contains the rent receivable balance on a monthly basis. While the balance was immaterial at year end, the Statement of Activity and Statement of Financial Position would reflect more accurate balances if rental revenue and tenant rent receivables were reconciled to the reports produced by the property management company and the appropriate adjustment recorded.

Cash Deposits

While performing procedures pertaining to rental income, we noted that cash deposits to the bank account were occurring a substantial period of time after they were marked as received from the rental income report provided by the property management company. We recommend that deposits be made in a timely manner to improve cash flow and to reduce risk of loss.

Account Reconciliations

While performing audit procedures related to accounts receivable and accounts payable, it was noted that many items were still present from prior years. It is recommended that the Foundation review accounts receivable and accounts payable periodically and adjust the related balances to the actual outstanding balance. Timely reconciliations will help identify amounts that should not be included in the related detail.

Property and Equipment

While performing audit procedures related to property and equipment accounts, it was noted that some equipment purchases over the Foundation's capitalization policy were not capitalized. It was also noted that expenses related to repair and maintenance were capitalized that did not improve the properties depreciable life. We recommend that the Foundation periodically review property and equipment purchases and repair and maintenance accounts for recording in accordance with the Foundation's policy.

Credit Cards

While performing audit procedures related to credit cards, it was noted that employees are allowed to use the Foundation's credit cards for personal purchases. In effect, the Foundation is providing short term loans to employees. We recommended that this practice of allowing employees to use Foundation credit cards for personal purchases be discontinued.

Closing Process

During the audit, it was noted that journal entries were being posted in the general ledger after account balances were provided to the auditor. While the entries were not considered material, it is recommended that once the books have been closed and provided to the auditors that entries no longer be posted to the general ledger. If the Foundation has discovered that entries are needed for the period being audited, the Foundation should discuss with the auditor and adjustments may be recorded if considered necessary.

This communication is intended solely for the information and use of management, the Board of Directors, and others within the Foundation, and is not intended to be, and should not be, used by anyone other than these specified parties.

Edmondson, Betzler & Dame, PLLC

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