HARVEST HANDS COMMUNITY DEVELOPMENT CORPORATION, INC.
FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT
YEARS ENDED DECEMBER 31, 2016 AND 2015

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BLANKENSHIP CPA GROUP, PLLC
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Harvest Hands Community Development Corporation, Inc.

Report on the Financial Statements
We have audited the accompanying financial statements of Harvest Hands Community Development Corporation, Inc. (a not-for-profit organization), which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities and change in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility
Our responsibility is to express an opinion on these financial statements based on our 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization'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 Organization'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 Harvest Hands Community Development Corporation, Inc. as of December 31, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Blankenship CPA Group, PLLC

November 14, 2017

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HARVEST HANDS COMMUNITY DEVELOPMENT CORPORATION, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2016 AND 2015

ASSETS

	2016	2015
Current assets		
Cash	$ 279,371	$ 288,812
Accounts receivable	-	6,365
Pledges receivable	14,001	12,653
Investments	4,602	-
Total current assets	297,974	307,830
Property and equipment, net	2,988,154	1,201,655
Total assets	$ 3,286,128	$ 1,509,485

LIABILITIES AND NET ASSETS

	2016	2015
Current liabilities		
Accrued expenses	$ 36,284	$ 32,058
Accounts payable	12,747	2,686
Current portion of notes payable	41,257	116,225
Total current liabilities	90,288	150,969
Long term debt		
Line of credit	2,561,556	-
Notes payable, less current portion	-	680,268
Less unamortized debt issuance costs	-	(1,794)
Long term debt less unamortized debt issuance costs	2,561,556	678,474
Total liabilities	2,651,844	829,443
Net assets		
Unrestricted	634,284	636,175
Temporarily restricted	-	43,867
Total net assets	634,284	680,042
Total liabilities and net assets	$ 3,286,128	$ 1,509,485

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

HARVEST HANDS COMMUNITY DEVELOPMENT CORPORATION, INC.
STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS
YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
Operating revenues and support		
Contributions	$ 382,269	$ 253,525
Contributions in-kind	86,180	57,757
Special events	157,501	218,312
Merchant sales	91,218	166,800
Program fees	35,307	35,032
Investment income	67	77
Net realized loss on marketable securities	(296)	-
Net unrealized loss on marketable securities	(185)	-
Total operating revenues and support	752,061	731,503
Net assets released from restrictions	43,867	-
Total revenues	795,928	731,503
Functional expenses		
Program services	605,075	587,406
Management and general	132,406	88,813
Fundraising	81,685	35,530
Total functional expenses	819,166	711,749
(Decrease) increase in net assets from operations	(23,238)	19,754
Changes in temporarily restricted net assets		
Contributions	-	43,867
Net assets released from restrictions	(43,867)	-
(Decrease) increase in temporarily restricted net assets	(43,867)	43,867
Other changes		
Other Income	28,412	-
Loss on extinguishment of debt	(7,065)	-
Total (decrease) increase in net assets	(45,758)	63,621
Net assets, beginning of year	680,042	616,421
Net assets, end of year	$ 634,284	$ 680,042

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

HARVEST HANDS COMMUNITY DEVELOPMENT CORPORATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2016

	Program Services	Management and General	Fundraising	Total
Cost of goods sold	$ 95,223	$ -	$ -	$ 95,223
Payroll	181,551	70,774	55,388	307,713
Events	13,229	-	12,168	25,397
Payroll taxes	11,013	4,293	3,360	18,666
Contract services	75,182	5,850	-	81,032
Staff development	7,327	2,856	2,235	12,418
Professional services	7,876	27,463	-	35,339
Community engagement	49,445	-	-	49,445
Office expense	-	9,083	-	9,083
Advertising	11,681	-	-	11,681
Utilities	15,812	1,977	1,977	19,766
Rent	30,693	2,889	2,528	36,110
Repairs and maintenance	3,066	-	-	3,066
Volunteer expense	1,527	-	-	1,527
Taxes, licenses, and fees	4,708	-	1,603	6,311
Insurance	23,354	4,121	-	27,475
Interest	35,017	-	-	35,017
Depreciation	30,417	-	-	30,417
Benefits	7,954	3,100	2,426	13,480
	$ 605,075	$ 132,406	$ 81,685	$ 819,166

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

HARVEST HANDS COMMUNITY DEVELOPMENT CORPORATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2015

	Program Services	Management and General	Fundraising	Total
Cost of goods sold	$ 124,819	$ -	$ -	$ 124,819
Payroll	223,417	40,101	22,915	286,433
Events	16,696	-	6,288	22,984
Payroll taxes	14,108	2,532	1,447	18,087
Contract services	32,083	-	-	32,083
Staff development	7,082	885	885	8,852
Professional services	5,111	19,510	-	24,621
Community engagement	55,203	-	-	55,203
Office expense	-	11,372	-	11,372
Advertising	5,462	-	-	5,462
Utilities	10,436	1,305	1,305	13,046
Rent	22,654	1,999	1,999	26,652
Repairs and maintenance	6,578	-	-	6,578
Volunteer expense	200	-	-	200
Taxes, licenses, and fees	328	6,981	-	7,309
Insurance	16,540	2,919	-	19,459
Interest	23,690	-	-	23,690
Depreciation	13,992	-	-	13,992
Benefits	6,734	1,209	691	8,634
Miscellaneous	2,273	-	-	2,273
	$ 587,406	$ 88,813	$ 35,530	$ 711,749

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

HARVEST HANDS COMMUNITY DEVELOPMENT CORPORATION, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
Cash flows from operating activities:		
(Decrease) increase in net assets	$ (45,758)	$ 63,621
Adjustments to reconcile (decrease) increase in net assets to net cash provided by operating activities:		
Depreciation	30,417	13,992
Amortization	405	2,896
Donated fixed assets	(20,000)	-
Donated securities	(25,133)	-
Realized loss on securities	296	-
Unrealized loss on securities	185	-
Loss on extinguishment of debt	1,085	-
Change in operating assets and liabilities:		
Accounts receivable	6,364	4,194
Pledges receivable	(1,348)	19,029
Prepaid expenses	-	5,949
Accrued expenses	4,227	11,095
Accounts payable	10,061	2,686
Total adjustments	6,559	59,841
Net cash (used) provided by operating activities	(39,199)	123,462
Cash flows from investing activities:		
Purchase of property and equipment	(1,796,916)	(21,492)
Purchase of intangibles	-	(29,883)
Sale of securities	20,050	-
Net cash used by investing activities	(1,776,866)	(51,375)
Cash flows from financing activities:		
Net borrowings on line of credit	1,810,980	-
Principal payments on notes payable	(4,356)	(4,323)
Net cash provided (used) by financing activities	1,806,624	(4,323)
Net (decrease) increase in cash	(9,441)	67,764
Cash, beginning of year	288,812	221,048
Cash, end of year	$ 279,371	$ 288,812

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

NOTE 1 - ORGANIZATION AND NATURE OF ACTIVITIES

Harvest Hands Community Development Corporation, Inc. is a not-for-profit Christian Community Development ministry in South Nashville. The Organization is committed to being good neighbors and also committed to the empowerment of children, youth, and families so that they might become all that God has created them to be.

The Organization is committed to revitalization in the community and seeks to provide leadership development along with economic development in the Wedgewood Houston neighborhood as well as the surrounding South Nashville neighborhoods such as Vine Hill and Chestnut Hill. The Organization's focus is to facilitate mentoring, leadership development, and healthy recreational opportunities for the children and youth in these neighborhoods.

The Organization is primarily funded by charitable contributions, special events, and merchant sales.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The accompanying financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

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 revenues and expenses during the reported period. Actual results could differ from those estimates.

Cash

Cash consists principally of checking and savings account balances with financial institutions. The Organization maintains cash accounts which occasionally may exceed federally insured limits. The Organization had no uninsured cash balance as of December 31, 2016 and 2015.

Pledges receivable

Pledges receivable are stated at unpaid balances. The Organization expects to fully collect these items within less than one year; therefore, no allowance for uncollectible accounts has been recorded in the financial statements.

Property, equipment and depreciation

Land, building, equipment, and furniture purchases in excess of $1,000 are capitalized and stated at acquisition cost or at estimated fair value at the time of the gift, if donated. Depreciation of property and equipment, other than land, is calculated by the straight-line method over estimated useful lives ranging from three to ten years for equipment and furniture and five to forty years for building and improvements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions.

Contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a restriction is fulfilled (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted and reported in the statements of activities and change in net assets as net assets released in satisfaction of program restrictions. However, if a restriction is fulfilled in the same time period in which the contribution is received, the support is reported as unrestricted.

Contributions in-kind

The Organization receives various types of in-kind contributions in the course of daily operations, including professional services, supplies, and materials. Contributed professional services are recognized as in-kind contributions if the services received create or enhance long-lived assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by contributions. Contributions of tangible assets are capitalized at estimated fair value when received.

During the years ended December 31, 2016 and 2015, a number of volunteers have contributed significant voluntary services to the Organization which do not meet the two recognition criteria described above. Accordingly, the value of this contributed time has not been determined and is not reflected in the financial statements.

Other Income

Other income consists primarily of restitution payments from a former employee, and an insurance recovery on a fully depreciated asset.

Income taxes

The Organization is a not-for-profit corporation exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service (IRS) as other than a private foundation.

Accounting principles generally accepted in the United States of America require the Organization's management to evaluate tax positions taken by the Organization and recognize a tax liability (or asset) if the Organization has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS. The Organization's management has analyzed the tax positions taken by the Organization and has concluded that as of December 31, 2016 no uncertain positions are taken or are expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Organization is no longer subject to routine audits by taxing jurisdictions for any tax periods beginning before December 31, 2013.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Program and supporting services

The following program and supporting services are included in the accompanying financial statements:

> Program services – includes the direct cost of operating the Organization and all of the related programs.
>
> Management and general – includes the functions necessary to ensure an adequate working environment and costs not identifiable with a single program. Applicable costs include those associated with providing coordination and articulation of the Organization's program strategy, business management, general record keeping, budgeting, and related purposes.
>
> Fundraising – includes costs of activities directed toward appeals for financial support, including special events. Other activities include the cost of solicitations and creation and distribution of fundraising materials.

Allocation of functional expenses

Expenses that can be directly attributed to a particular function are charged to that function. Certain costs have been allocated among more than one program or activity based on objectively evaluated financial and nonfinancial data or reasonable subjective methods determined by management.

Reclassifications
Certain prior year amounts have been reclassified to conform to current year presentation.

Adoption of Accounting Standard Update 2015-03
As of January 1, 2016, the Organization adopted Accounting Standard Update 2015-03 - Simplifying the Presentation of Debt Issuance Costs. Under the newly adopted policy, debt issuance costs related to a recognized debt liability are presented in the balance sheet as a direct deduction from the carrying amount of that debt liability. The implementation of this accounting standard had no effect on the Organization's financial position.

NOTE 3 - PLEDGES RECEIVABLE

Pledges receivable as of December 31, 2016 and 2015 were $14,001 and $12,653, respectively. All amounts are due within one year.

NOTE 4 - INVESTMENTS

The Organization uses Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, "Fair Value Measurement". FASB ASC 820 provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted market prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

NOTE 4 - INVESTMENTS (CONTINUED)

Level 1 Inputs – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 Inputs – Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active or non-active markets, inputs other than quoted prices that are observable for the asset or liability and inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs – Inputs to the valuation methodology are observable and significant to the fair value measurement.

All of the Organization's investments are equity securities with readily determinable fair values and are stated on the Statements of Financial Position at fair value based on quoted prices in active markets (all Level 1 measurements).

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31, 2016 and 2015:

	2016	2015
Land and land improvements	$ 497,487	$ 493,007
Building and improvements	2,421,508	711,451
Furniture and equipment	41,046	39,241
Vehicles	15,500	15,500
Construction in progress	106,934	6,360
	3,082,475	1,265,559
Accumulated depreciation	(94,321)	(63,904)
	$ 2,988,154	$ 1,201,655

NOTE 6 - LINE OF CREDIT

The Organization has a $2,800,000 construction line of credit with a financial institution that was originated in April 2016 and matures in April 2021. The purpose of the line of credit is for the development of a new community center and offices. The two previous loans held on the building and land were refinanced into this line of credit at the time of closing. Borrowings under the line bear interest at The Wall Street Journal prime rate (3.75% at December 31, 2016). Borrowings are collateralized by a Deed of Trust on the associated building and land and are fully guaranteed by Brentwood United Methodist Church, a related party. Outstanding borrowings on the line of credit at December 31, 2016 totaled $2,561,556.

Interest in the amount of $25,798 was capitalized from the origination date of the loan to the date the building was substantially ready for use.

NOTE 7 - NOTES PAYABLE

Notes payable consists of the following for the Organization at December 31, 2016 and 2015:

	2016	2015
In August of 2015 the Organization borrowed $650,000 from an individual. The installment note was due in monthly principal and interest payments of $3,793 with the final payment due September 2020. The note had an adjustable interest rate of the prime rate plus 2.5%, and was collateralized by the building and land that were purchased.	$ -	$ 647,266
In August of 2015 the Organization borrowed $106,000 from a financial institution. The interest only note was due in monthly interest payments of $1,060 with all remaining principal and interest becoming due September 2016. The note had an interest rate of 12%, and was collateralized by the land that was purchased.	-	106,000
In October of 2012 the Organization borrowed $48,000 from a financial institution. The installment note is due in monthly principal and interest payments of $319 with the final payment due October 2017. The note has an interest rate of 5%, and is collateralized by real estate.	41,257	43,227
	41,257	796,493
Less current portion	(41,257)	(116,225)
	$ -	$ 680,268

All the principal maturities of notes payable at December 31, 2016 are current.

NOTE 8 - LEASE COMMITMENTS

The Organization leases property at 601 Benton Avenue, Nashville, Tennessee which it uses for various program and administrative activities. The rental agreement had an original term of 1 year expiring on June 1, 2011. However, the agreement included an annual automatic renewal clause that the Organization is utilizing. The lease is cancelable on a month-to-month basis. Lease expense under this lease amounted to $18,000 for each of the years ended December 31, 2016 and 2015.

The Organization leases office equipment under an operating lease which expires on September 19, 2018 with total annual lease payments of $1,210. Lease expense for this equipment was $1,210 for each of the years ending December 31, 2016 and 2015.

NOTE 8 - LEASE COMMITMENTS (CONTINUED)

Future estimated minimum lease payments required under the lease are as follows:

Year Ending December 31,		
2017	$	1,210
2018		807
	$	2,017

Upon acquiring the building the Organization now occupies they were assigned a lease entered into with an individual to operate their business in a portion of the facility. The lease expires on April 1, 2021. Rental income under this lease was approximately $16,250 and $5,000 for the years ending December 31, 2016 and 2015, respectively.

Future estimated minimum rental income required under the lease is as follows:

Year Ending December 31,		
2017	$	17,850
2018		18,450
2019		19,050
2020		19,650
2021		4,950
	$	79,950

Subsequent to year end the Organization entered into an agreement with a Church to lease a portion of the Organizations facility at a rate of $1,500 per month. The lease expires on December 31, 2017.

NOTE 9 - SUPPLEMENTAL CASH FLOW DISCLOSURES

During the years ended December 31, 2016 and 2015 cash paid for interest totaled $57,953 and $14,675, respectively.

During the year ended December 31, 2015, the Organization purchased property with debt in the amount of $756,000.

During the year ended December 31, 2016, the Organization refinanced debt in the amount of $750,576.

During the year ended December 31, 2016, the Organization received donated securities in the amount of $25,133.

NOTE 9 - SUPPLEMENTAL CASH FLOW DISCLOSURES (CONTINUED)

During the year ended December 31, 2016, the Organization received donated fixed assets in the amount of $20,000.

NOTE 10 - RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets consist of the following at December 31:

	2016	2015
Cash restricted for future use	$ -	$ 43,867

NOTE 11 - RELATED PARTY TRANSACTIONS

The Organization's Executive Director is an employee of Brentwood United Methodist Church (BUMC).

BUMC paid the salary of the Organization's Executive Director for the years ended December 31, 2016 and 2015. These amounts have been recognized as in-kind contributions of $66,180 and $57,757 for the years ended December 31, 2016 and 2015, respectively.

BUMC also donated $131,317 and $159,771 to the Organization during the years ended December 31, 2016 and 2015, respectively.

As mentioned in Note 6 BUMC fully guarantees the construction line of credit held by the Organization.

NOTE 12 - CONCENTRATIONS

Approximately 26% and 28% of the Organization's total revenue was obtained from BUMC during the years ended December 31, 2016 and 2015, respectively. The current level of the Organization's operations and program services may be impacted or segments discontinued if the funding does not continue.

NOTE 13 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 14, 2017, the date which the financial statements were available to be issued.

The Organization executed a definitive agreement on February 14, 2016, for the sale of land owned by the Organization, subject to certain closing conditions that had not been met as of December 31, 2016. During the fiscal year 2017 the conditions required for closing were met and the sale was executed on August 24, 2017 at the purchase price of $2,300,000. The Organization issued a note receivable to the buyer in the amount of $2,300,000 at a fixed interest rate of 6% per annum. The note matures on August 24, 2027 and calls for monthly interest payments until maturity at which time all unpaid principal and interest shall become due. The carrying value of the land was approximately $186,000 at December 31, 2016. The Organization recognized a gain of approximately $2,114,000 when the sale was completed in 2017.