

HANDS ON NASHVILLE, INC.

FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2020 and 2019

And Report of Independent Auditor

HANDS ON NASHVILLE, INC.
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Report of Independent Auditor

To the Board of Directors
Hands On Nashville, Inc.
Nashville, Tennessee

We have audited the accompanying financial statements of Hands On Nashville, Inc. (a nonprofit organization) (the "Organization"), which comprise the statements of financial position as of December 31, 2020 and 2019, 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 Hands On Nashville, Inc. as of December 31, 2020 and 2019, 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.

Emphasis of Matter

As discussed in Note 11, towards the end of December 2019, an outbreak of a novel strain of coronavirus (COVID-19) emerged globally. As a result, there have been various mandates and/or requests from federal, state, and local authorities resulting in closures of non-essential businesses, which could negatively impact the Organization's operations. Although it is not possible to reliably estimate the length or severity of this outbreak and hence its financial impact, any significant reduction of contributions could negatively impact the Organization's operations for an indeterminable time period. Other financial impacts could occur though such potential impacts are unknown at this time. Our opinion is not modified with respect to this matter.



Nashville, Tennessee
June 29, 2021

HANDS ON NASHVILLE, INC.
STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2020 AND 2019

	2020	2019
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 1,351,339	\$ 411,706
Accounts receivable	10,082	102,869
Grants receivable	32,583	72,222
Prepaid expenses	18,972	18,858
Total Current Assets	1,412,976	605,655
Equipment and leasehold improvements, net of accumulated depreciation	16,318	34,144
Total Assets	\$ 1,429,294	\$ 639,799
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 105,913	\$ 85,979
Deferred revenue	11,801	152,477
Total Current Liabilities	117,714	238,456
Net Assets:		
Without donor restrictions	1,019,191	317,325
With donor restrictions	292,389	84,018
Total Net Assets	1,311,580	401,343
Total Liabilities and Net Assets	\$ 1,429,294	\$ 639,799

HANDS ON NASHVILLE, INC.
STATEMENTS OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue:						
Contributions and grants	\$ 1,262,951	\$ 790,633	\$ 2,053,584	\$ 605,942	\$ 100,000	\$ 705,942
Program fees	466,959	-	466,959	732,357	-	732,357
Special events, net of direct costs of \$16,871 and \$49,683, respectively	382,814	-	382,814	75,448	-	75,448
Rent revenue	22,910	-	22,910	22,373	-	22,373
Interest	1,198	-	1,198	5,883	-	5,883
Loss on disposal of equipment	(2,305)	-	(2,305)	-	-	-
Releases of net assets with donor restrictions	582,262	(582,262)	-	164,285	(164,285)	-
Total Revenue	<u>2,716,789</u>	<u>208,371</u>	<u>2,925,160</u>	<u>1,606,288</u>	<u>(64,285)</u>	<u>1,542,003</u>
Expenses:						
Program services	1,431,961	-	1,431,961	959,992	-	959,992
Management and general	334,504	-	334,504	389,496	-	389,496
Fundraising	248,458	-	248,458	314,763	-	314,763
Total Expenses	<u>2,014,923</u>	<u>-</u>	<u>2,014,923</u>	<u>1,664,251</u>	<u>-</u>	<u>1,664,251</u>
Change in net assets	701,866	208,371	910,237	(57,963)	(64,285)	(122,248)
Net assets, beginning of year	317,325	84,018	401,343	375,288	148,303	523,591
Net assets, end of year	<u>\$ 1,019,191</u>	<u>\$ 292,389</u>	<u>\$ 1,311,580</u>	<u>\$ 317,325</u>	<u>\$ 84,018</u>	<u>\$ 401,343</u>

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

HANDS ON NASHVILLE, INC.
STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2020

	Program Services	Management and General	Fundraising	Total
Salaries and benefits	\$ 1,001,839	\$ 217,700	\$ 156,097	\$ 1,375,636
Rent and utilities	76,150	22,075	29,394	127,619
Program expenses (including in-kind goods and services of \$41,556)	96,055	1,042	21,908	119,005
Payroll taxes	58,151	25,731	16,657	100,539
Tornado relief	84,738	-	-	84,738
Technology	40,345	11,258	11,098	62,701
Professional fees	21,845	12,374	3,866	38,085
Depreciation	9,465	9,465	-	18,930
Insurance	-	14,230	-	14,230
Repairs and maintenance	3,148	8,556	404	12,108
Conferences and meetings	10,621	805	-	11,426
Financial transaction fees	-	9,461	1,605	11,066
Telephone	7,018	-	2,998	10,016
Advertising	3,912	164	2,136	6,212
Supplies and other	5,411	415	254	6,080
Bad debts	3,750	-	2,000	5,750
Travel	3,691	30	18	3,739
Meals and entertainment	2,930	570	23	3,523
Dues and licenses	2,892	628	-	3,520
Total Expenses	<u>\$ 1,431,961</u>	<u>\$ 334,504</u>	<u>\$ 248,458</u>	<u>\$ 2,014,923</u>

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

HANDS ON NASHVILLE, INC.
STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2019

	Program Services	Management and General	Fundraising	Total
Salaries and benefits	\$ 576,054	\$ 261,848	\$ 222,731	\$ 1,060,633
Program expenses (including in-kind goods and services of \$43,866)	152,269	2,794	26,500	181,563
Rent and utilities	64,495	32,580	29,003	126,078
Payroll taxes	41,932	18,273	14,858	75,063
Technology	20,612	12,223	8,870	41,705
Repairs and maintenance	9,799	17,639	590	28,028
Travel	22,063	613	49	22,725
Conferences and meetings	20,568	1,705	20	22,293
Depreciation	10,364	10,364	-	20,728
Professional fees	13,824	2,079	3,437	19,340
Supplies and other	10,809	6,233	934	17,976
Insurance	1,036	12,214	-	13,250
Meals and entertainment	9,395	2,861	675	12,931
Financial transaction fees	-	7,299	1,763	9,062
Telephone	3,840	-	2,337	6,177
Dues and licenses	2,127	771	500	3,398
Advertising	355	-	2,496	2,851
Bad debts	450	-	-	450
Total Expenses	<u>\$ 959,992</u>	<u>\$ 389,496</u>	<u>\$ 314,763</u>	<u>\$ 1,664,251</u>

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

HANDS ON NASHVILLE, INC.
STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
Cash flows from operating activities:		
Change in net assets	\$ 910,237	\$ (122,248)
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	18,930	20,728
Loss on disposal of equipment	2,305	-
Change in operating assets and liabilities:		
Accounts receivable	92,787	(65,698)
Grants receivable	39,639	(5,612)
Prepaid expenses	(114)	8,444
Accounts payable and accrued expenses	19,934	36,034
Deferred revenue	(140,676)	126,727
Net cash flows from operating activities	<u>943,042</u>	<u>(1,625)</u>
Cash flows from investing activities:		
Purchase of equipment	<u>(3,409)</u>	<u>(5,416)</u>
Net cash flows from investing activities	<u>(3,409)</u>	<u>(5,416)</u>
Net change in cash and cash equivalents	939,633	(7,041)
Cash and cash equivalents, beginning of year	411,706	418,747
Cash and cash equivalents, end of year	<u><u>\$ 1,351,339</u></u>	<u><u>\$ 411,706</u></u>

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

HANDS ON NASHVILLE, INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

Note 1—Nature of operations and summary of significant accounting principles

Organization and Purpose – Hands On Nashville, Inc. (the “Organization”) is a not-for-profit organization located in Nashville, Tennessee that works to address critical issues facing the Middle Tennessee community through volunteer-centric programming. Annually, the Organization connects thousands of volunteers to service opportunities supporting area not-for-profits, as well as its programs in urban agriculture, home energy savings, youth leadership development, and support of public education. The Organization receives support from state and federal agencies, individual donors and foundations, and through fundraising events. Revenues are earned from program fees for corporate project management and not-for-profit partner fees.

Basis of Presentation – The financial statements of the Organization are presented on the accrual basis of accounting.

Financial statement presentation follows the requirements of the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”). Under FASB ASC, the Organization is required to report information regarding its financial position and activities according to two classes of net assets:

Net Assets Without Donor Restrictions – Net assets that are not subject to donor-imposed stipulations and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization’s management and the Board of Directors.

Net Assets With Donor Restrictions – Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

The Organization accounts for contributions in accordance with FASB ASC, which requires contributions received to be recorded as support with or without donor restrictions, depending on the existence or nature of any donor restrictions.

Revenue Recognition, Accounts Receivable, Allowance for Doubtful Accounts, and Deferred Revenue – See Note 2.

Contributions and Promises to Give – Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions are met in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Cash and Cash Equivalents – The Organization considers all cash funds, cash bank accounts, and highly liquid debt instruments with an original maturity when purchased of three months or less to be cash and cash equivalents.

Equipment and Leasehold Improvements – The Organization’s policy is to record purchased and contributed fixed assets at cost and fair value, respectively. The cost of equipment is depreciated using the straight-line method over the estimated useful lives of 3 to 5 years for computers, office equipment, and vehicles, and 10 to 15 years for leasehold improvements.

HANDS ON NASHVILLE, INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

Note 1—Nature of operations and summary of significant accounting principles (continued)

Donated Materials and Services – Donated materials and equipment, if any, are reflected as contributions in the accompanying financial statements at their estimated values at date of receipt. Donated services are recognized as revenues at their estimated fair value only when they create or enhance nonfinancial assets or they require specialized skill which would need to be purchased if they were not donated. The total amount of donated services recognized in 2020 and 2019 were \$41,556 and \$43,866, respectively. The Organization coordinates many individuals who volunteer their time and perform a variety of tasks throughout the Nashville community. During the years ended December 31, 2020 and 2019, the Organization coordinated efforts of over 169,000 and 24,000 volunteer hours, respectively.

Allocated Expenses – The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Expenses that can be directly attributed to a particular function are charged to that function. Expenses that relate to more than one function are allocated among applicable functions on the basis of objectively evaluated financial and nonfinancial data or reasonable subjective methods determined by management. Certain salaries and wages have been allocated to program, management and general, and fundraising based on time and effort estimates made by management.

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, liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes – The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code ("IRC") and is not a private foundation. Accordingly, no provision for income taxes has been made.

The Organization follows guidance concerning the accounting for income taxes recognized in an entity's financial statements. This guidance prescribes a minimum probability threshold that a tax position must meet before a financial statement benefit is recognized. The minimum threshold is defined as a tax position that is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The tax benefit to be recognized is measured as the largest amount of benefit that is greater than 50% likely of being realized upon ultimate settlement. The Organization does not believe there are any uncertain tax positions at December 31, 2020 and 2019. Additionally, the Organization has not recognized any tax related interest and penalties in the accompanying financial statements.

Advertising Expense – The Organization expenses advertising costs as incurred. Advertising costs charged to expense totaled \$6,212 and \$2,851 in 2020 and 2019, respectively.

Accounting Policies for Future Pronouncements – In February 2016, FASB issued Accounting Standards Update ("ASU") ASU 2016-02, *Leases*. The standard requires all leases with lease terms over 12 months to be capitalized as a right of use asset and lease liability on the statement of financial position at the date of lease commencement. Leases will be classified as either finance or operating. This distinction will be relevant for the pattern of expense recognition in the statement of activities. This standard will be effective for the fiscal year ending December 31, 2022. The Organization is currently in the process of evaluating the impact of adoption of this ASU on the financial statements.

Subsequent Events – The Organization evaluated subsequent events through June 29, 2021, when these financial statements were available to be issued. See Note 10 for further subsequent event discussion.

HANDS ON NASHVILLE, INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

Note 2—Revenue

On January 1, 2019, the Organization adopted ASC 606 using the modified retrospective approach. The Organization determined that there was no cumulative effect adjustment to net assets upon adoption of the new revenue standard as of January 1, 2019. Under ASC 606, revenue is recognized when the Organization transfers the promised goods or services to a customer in an amount that reflects consideration that is expected to be received for those goods and services.

Performance Obligations and Revenue Recognition – A performance obligation is a promise in a contract to transfer a distinct good or service to the customer and is the unit of account under ASC 606. The transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied. The contract performance obligation for corporate projects is performed over the period from the date secured through the date of the event. Revenues recognized under these corporate projects totaled \$338,609 and \$505,532, respectively, for the years ended December 31, 2020 and 2019 and are included in program fees on the statements of activities. The contract performance obligation for memberships and sponsorship agreements is performed over the membership or contract period. Such amounts recognized during 2020 and 2019 totaled approximately \$443,420 and \$140,900, respectively. Memberships are reflected in program fees in the statements of activities while the sponsorship revenues are reflected in special events.

Grants received from governmental agencies are generally recognized as related costs are incurred. Grant receivables represent amounts due from grants which have been earned but not received. All grant receivables are reported at estimated collectible amounts. Such receivables are expected to be received within the next fiscal year and as such are reflected as current assets.

Contract Balances – Timing differences among revenue recognition may result in contract assets or liabilities. Contract liabilities on the accompanying statements of financial position totaled \$11,801 and \$152,477 as of December 31, 2020 and 2019, respectively. Deferred revenue represents income from corporate projects, event sponsorships, and membership dues. Revenues received in advance are deferred and recognized in the period the related corporate project or event takes place. Membership dues are deferred when received and amortized over the term of the membership or contract period.

The following table provides information about significant changes in the contract liabilities for the year ended December 31, 2020:

	Corporate Projects	Membership Dues	Event Sponsorships and Other	Total
Deferred revenue, beginning of year	\$ 69,287	\$ 8,650	\$ 74,540	\$ 152,477
Revenue recognized that was included in deferred revenue at the beginning of the year	(69,287)	(8,650)	(74,540)	(152,477)
Increase in deferred revenue due to cash received during the year	2,751	5,050	4,000	11,801
Deferred revenue, end of year	<u>\$ 2,751</u>	<u>\$ 5,050</u>	<u>\$ 4,000</u>	<u>\$ 11,801</u>

An allowance for uncollectible accounts is provided based on past experience with collections and estimated collectability of current receivables. As of December 31, 2020 and 2019, management believes that all accounts receivable are fully collectible. Therefore, no allowance for doubtful accounts is recorded in the accompanying financial statements.

HANDS ON NASHVILLE, INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

Note 3—Liquidity and availability of resources

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing activities as well as the conduct of services undertaken to support those activities to be general expenditures. Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following at December 31:

	2020	2019
Financial assets:		
Cash and cash equivalents	\$ 1,351,339	\$ 411,706
Accounts receivable	10,082	102,869
Grants receivable	32,583	72,222
Less amounts not available to be used within one year:		
Net assets subject to donor restrictions	(292,389)	(84,018)
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,101,615</u>	<u>\$ 502,779</u>

Note 4—Equipment and leasehold improvements

Equipment and leasehold improvements consist of the following at December 31:

	2020	2019
Computer and office equipment	\$ 162,352	\$ 169,720
Leasehold improvements	84,849	84,849
Vehicles	40,759	53,759
Less accumulated depreciation	(271,642)	(274,184)
	<u>\$ 16,318</u>	<u>\$ 34,144</u>

Note 5—Tax deferred annuity plan

The Organization sponsors a tax deferred annuity plan qualified under Section 403(b) of the IRC. The Plan covers full-time employees of the Organization. Contributions to the plan were made in the amount of \$5,293 and \$3,753 for the years ended December 31, 2020 and 2019, respectively.

HANDS ON NASHVILLE, INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

Note 6—Net assets with donor restrictions

Net assets with donor restrictions are restricted for the following purposes and/or time periods at December 31:

	2020	2019
Tornado relief	\$ 118,514	\$ -
Disaster preparedness	80,413	-
GeekCause program	68,318	84,018
COVID-19 relief	15,144	-
Strobel Awards in coming year	10,000	-
	<u>\$ 292,389</u>	<u>\$ 84,018</u>

Note 7—Grant revenue

During fiscal 2020, the Organization received a Paycheck Protection Program ("PPP") loan in the amount of \$146,200. The PPP loan was granted by the Small Business Administration under the Coronavirus Aid Relief, and Economic Security Act (the "CARES Act"). PPP loans are considered conditional contributions under ASC 958-605, *Not-for Profit Entities – Revenue Recognition*. The loan must be repaid if the Organization does not overcome certain barriers within the CARES Act. The barriers under the program include the requirement to maintain employee headcount, spend up to 60% of the loan proceeds on certain payroll and employee benefits, and restricts other loan proceeds to be used for other qualifying expenses such as mortgage interest, rent, and utilities. The Organization has recognized grant revenue for the full amount of \$146,200 for the year ended December 31, 2020, because the conditions for forgiveness had been substantially met at December 31, 2020. The Organization received notification of the loan's forgiveness in November 2020. These grant revenues are included in contributions and grants on the statements of activities.

Note 8—Operating leases

The Organization has an operating lease for office space that expires February 28, 2022. Rent expense was \$114,387 and \$111,636, for the years ended December 31, 2020 and 2019, respectively.

Future minimum rentals under the lease are as follows:

Years Ending December 31,

2021	\$ 117,220
2022	15,528
	<u>\$ 132,748</u>

During 2016, the Organization entered into an arrangement with a third party to sublease office space that expires November 14, 2021. Rent revenue under this agreement was \$22,910 and \$22,373 for the years ended December 31, 2020 and 2019, respectively.

Future minimum rental revenues under the sublease are as follows:

Year Ending December 31,

2021	<u>\$ 20,262</u>
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HANDS ON NASHVILLE, INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

Note 9—Concentration

The Organization received approximately 15% and 23% of its revenue from the state of Tennessee for the years ended December 31, 2020 and 2019, respectively. A significant reduction in the level of this support, if this were to occur, could have a negative impact on the Organization's programs and activities.

At times, the Organization maintains cash in excess of federally insured limits. The Organization has not experienced any losses in such accounts and management believes it is not exposed to any significant credit risk related to its cash held at financial institutions.

Note 10—Subsequent events

Subsequent to December 31, 2020, the Organization gave notice to terminate its operating lease at the Trolley Barns effective August 31, 2021. Effective August 1, 2021, the Organization entered into a 64-month operating lease for office space.

Note 11—Uncertainty

Late in December 2019, an outbreak of a novel strain of coronavirus ("COVID-19") emerged globally. As a result of the spread of COVID-19, economic uncertainties have arisen, which could negatively impact the Organization's revenue and operations for an indeterminable time period. Other financial impacts could occur though such potential impacts are unknown at this time.