

Harvest Hands Community Development Corporation, Inc.

Financial Statements
For the Years Ended December 31, 2020 and 2019

Harvest Hands Community Development Corporation, Inc.

Financial Statements

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Contents

Independent Auditor's Report	1
Financial Statements	
Statements of Financial Position	2
Statements of Activities	3
Statements of Functional Expenses	5
Statements of Cash Flows	7
Notes to Financial Statements	8 - 15



Independent Auditor's Report

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 Tennessee not-for-profit organization, the Organization), which comprise the statements of financial position as of December 31, 2020 and 2019, 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 Harvest Hands Community Development Corporation, 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.

Blankenship CPA Group, PLLC

Blankenship CPA Group, PLLC
Brentwood, Tennessee
October 29, 2021

Harvest Hands Community Development Corporation, Inc.

Statements of Financial Position

December 31, 2020 and 2019

	2020	2019
Assets		
Cash	\$ 977,109	\$ 591,367
Restricted cash	219,931	222,481
Pledges receivable	9,486	12,039
Interest receivable	380	2,797
Property and equipment, net	2,918,544	3,011,056
Notes receivable	100,899	2,417,884
Total assets	\$ 4,226,349	\$ 6,257,624
Liabilities and Net Assets		
Accounts payable	\$ 18,281	\$ 7,433
Accrued expenses	28,500	26,266
PPP loan	122,160	-
Notes payable	749,805	3,058,982
Total liabilities	918,746	3,092,681
Net assets		
Without donor restrictions	3,058,186	2,930,423
With donor restrictions	249,417	234,520
Total net assets	3,307,603	3,164,943
Total liabilities and net assets	\$ 4,226,349	\$ 6,257,624

Harvest Hands Community Development Corporation, Inc.

Statement of Activities

For the Year Ended December 31, 2020

	Without donor restrictions	With donor restrictions	Total
Revenues, Gains, and Other Support			
Contributions	\$ 734,723	\$ 29,486	\$ 764,209
In-kind revenue	43,925	-	43,925
Special events	114,042	-	114,042
Merchant sales	509,300	-	509,300
Program fees	33,747	-	33,747
Interest income	222	-	222
Investment income	58,892	-	58,892
Net assets released from restrictions	14,589	(14,589)	-
Total revenues, gains, and other support	1,509,440	14,897	1,524,337
Expenses			
Program services	1,100,336	-	1,100,336
Management and general	188,920	-	188,920
Fundraising	92,421	-	92,421
Total expenses	1,381,677	-	1,381,677
Change in net assets	127,763	14,897	142,660
Net assets, beginning of year	2,930,423	234,520	3,164,943
Net assets, end of year	\$ 3,058,186	\$ 249,417	\$ 3,307,603

Harvest Hands Community Development Corporation, Inc.

Statement of Activities

For the Year Ended December 31, 2019

	Without donor restrictions	With donor restrictions	Total
Revenues, Gains, and Other Support			
Contributions	\$ 425,511	\$ 234,520	\$ 660,031
In-kind revenue	43,925	-	43,925
Special events	192,099	-	192,099
Merchant sales	606,915	-	606,915
Program fees	44,579	-	44,579
Interest income	140,600	-	140,600
Investment income	119	-	119
Gain on sale of property	285,887	-	285,887
Net assets released from restrictions	<u>15,790</u>	<u>(15,790)</u>	<u>-</u>
Total revenues, gains, and other support	1,755,425	218,730	1,974,155
Expenses			
Program services	1,358,659	-	1,358,659
Management and general	172,600	-	172,600
Fundraising	<u>122,378</u>	<u>-</u>	<u>122,378</u>
Total expenses	1,653,637	-	1,653,637
Change in net assets	101,788	218,730	320,518
Net assets, beginning of year	<u>2,828,635</u>	<u>15,790</u>	<u>2,844,425</u>
Net assets, end of year	\$ 2,930,423	\$ 234,520	\$ 3,164,943

Harvest Hands Community Development Corporation, Inc.Statement of Functional Expenses
For the Year Ended December 31, 2020

	Program services	Management and general	Fundraising	Total
Salaries and wages	\$ 485,507	\$ 82,542	\$ 64,598	\$ 632,647
Payroll taxes	25,125	9,794	7,666	42,585
Advertising	15,531	-	-	15,531
Benefits	7,288	2,841	2,223	12,352
Community engagement	43,235	-	-	43,235
Contract services	57,099	4,443	-	61,542
Depreciation	96,494	-	-	96,494
Event expense	-	-	7,280	7,280
Insurance	17,898	3,159	-	21,057
Interest	70,941	-	-	70,941
Office expense	-	48,918	-	48,918
Professional services	2,607	9,088	-	11,695
Rent	15,300	1,440	1,260	18,000
Repairs and maintenance	-	11,995	-	11,995
Staff development	3,199	1,247	976	5,422
Start-up costs	-	9,938	-	9,938
Supplies and materials	217,501	-	-	217,501
Taxes, licenses, and fees	14,395	-	4,903	19,298
Utilities	28,105	3,515	3,515	35,135
Volunteer expense	111	-	-	111
	\$ 1,100,336	\$ 188,920	\$ 92,421	\$ 1,381,677

Harvest Hands Community Development Corporation, Inc.Statement of Functional Expenses
For the Year Ended December 31, 2019

	Program services	Management and general	Fundraising	Total
Salaries and wages	\$ 544,242	\$ 92,527	\$ 72,413	\$ 709,182
Payroll taxes	26,250	10,233	8,009	44,492
Advertising	15,015	-	-	15,015
Benefits	8,431	3,286	2,571	14,288
Community engagement	70,075	-	-	70,075
Contract services	114,670	8,923	-	123,593
Depreciation	90,039	-	-	90,039
Event expense	-	-	18,053	18,053
Insurance	24,305	4,291	-	28,596
Interest	159,602	-	-	159,602
Office expense	-	29,060	-	29,060
Professional services	2,675	9,325	-	12,000
Rent	15,300	1,440	1,260	18,000
Repairs and maintenance	-	7,809	-	7,809
Staff development	4,552	1,774	1,388	7,714
Start-up costs	-	131	-	131
Supplies and materials	208,751	-	-	208,751
Taxes, licenses, and fees	43,701	-	14,883	58,584
Utilities	30,392	3,801	3,801	37,994
Volunteer expense	659	-	-	659
	\$ 1,358,659	\$ 172,600	\$ 122,378	\$ 1,653,637

Harvest Hands Community Development Corporation, Inc.

Statements of Cash Flows

For the Years Ended December 31, 2020 and 2019

	2020	2019
Cash, beginning of year	\$ 813,848	\$ 414,336
Cash flows from operating activities		
Change in net assets	142,660	320,518
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	96,494	90,039
Gain on sale of property	-	(285,887)
Contributions restricted for long-term asset	-	(250,000)
Change in:		
Pledges receivable	2,553	(6,549)
Interest receivable	2,417	-
Accounts payable	10,848	(4,775)
Accrued expenses	2,234	(7,911)
Net cash provided (used) by operating activities	257,206	(144,565)
Cash flows from investing activities		
Proceeds from sale of property	-	320,000
Purchase of property and equipment	(3,982)	(83,406)
Principal payments received on notes receivable	2,316,985	20,601
Net cash provided (used) by investing activities	2,313,003	257,195
Cash flows from financing activities		
Proceeds from PPP loan	122,160	-
Borrowings on notes payable	-	45,261
Principal payments on note payable	(2,309,177)	(8,379)
Contributions restricted for long-term activities	-	250,000
Net cash provided (used) by financing activities	(2,187,017)	286,882
Net change in cash	383,192	399,512
Cash, end of year	\$ 1,197,040	\$ 813,848
Cash consists of the following amounts at December 31		
Cash	\$ 977,109	\$ 591,367
Restricted cash	219,931	222,481
	\$ 1,197,040	\$ 813,848

Harvest Hands Community Development Corporation, Inc.

Notes to Financial Statements

For the Years Ended December 31, 2020 and 2019

Note 1. Summary of Significant Accounting Policies

Nature of Activities

Harvest Hands Community Development Corporation, Inc. (the Organization) was incorporated in 2007 under the laws of the State of Tennessee. The Organization is a catalyst for Christ-centered, holistic community development working alongside their neighbors to further education, healthy living, spiritual formation, and economic development in South Nashville.

In 2008, the Organization began its social enterprise Humphreys Street Coffee & Soap to give students access to local jobs, mentoring, and empowerment all at once. In 2018, Humphreys Street opened its first brick and mortar coffee shop, which is expected to double the number of students Humphreys Street can employ by 2021.

Basis of Accounting

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 (US GAAP).

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

Net assets without donor restrictions – Net assets that are not subject to donor-imposed restrictions 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. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Use of Estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the 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 the Federal Deposit Insurance Corporation (FDIC) insured limit of \$250,000. As of December 31, 2020 and 2019, cash balances in excess of the FDIC limit were \$662,000 and \$280,000, respectively.

Restricted cash is intended for the build out of the Humphrey's Street Coffee & Soap Broadway location.

Harvest Hands Community Development Corporation, Inc.

Notes to Financial Statements

For the Years Ended December 31, 2020 and 2019

Note 1. Summary of Significant Accounting Policies

Pledges Receivable

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

Property and 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 3 to 10 years for equipment and furniture and 5 to 40 years for building and improvements.

Notes Receivable

The Organization has granted notes receivable to borrowers in relation to property sold by the Organization to the borrowers. The ability of the Organization's debtors to honor their contracts is dependent on the real estate and general economic conditions both nationally and within the Organization's primary market.

Notes receivable that the Organization has the intent and ability to hold for the foreseeable future or until maturity or pay-off generally are reported at, their outstanding unpaid principal balance adjusted for any unearned income and the allowance for uncollectible accounts. The Organization has evaluated the notes receivable and determined that no impairment adjustment is necessary at December 31, 2020.

Interest on notes receivable is computed on the outstanding loan principal balance.

PPP Loan

On January 30, 2020, the World Health Organization declared the COVID-19 outbreak a "Public Health Emergency of International Concern" and on March 11, 2020, declared it to be a pandemic. The Organization received a loan in accordance with the Paycheck Protection Program (PPP) section of the Coronavirus Aid, Relief, and Economic Security Act (the CARES Act). US GAAP provides organizations with two alternatives for reporting the loan and any future forgiveness: 1) proceeds can be treated as debt and future forgiveness recognized as income when the loan or any portion, thereof is formally discharged; or 2) proceeds can be treated as a conditional contribution where they recognize a refundable advance and derecognize the liability, and recognize income, as the conditions for forgiveness are substantially met or explicitly waived. The Organization has elected to treat the PPP loan as debt.

Revenue Recognition

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor-restricted contributions are 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), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported on the statements of activities as net assets released from restrictions.

Harvest Hands Community Development Corporation, Inc.

Notes to Financial Statements

For the Years Ended December 31, 2020 and 2019

Note 1. Summary of Significant Accounting Policies

Revenue Recognition

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, 2020 and 2019, 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

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 Organization.

US GAAP requires 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, 2020 no uncertain positions have been 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, 2017.

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 recordkeeping, 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.

Functional Allocation of Expenses

The costs of providing program services and supporting services have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Such allocations are determined by management on an equitable basis.

Harvest Hands Community Development Corporation, Inc.

Notes to Financial Statements

For the Years Ended December 31, 2020 and 2019

Note 2. **Availability and Liquidity**

The following represents the Organization's financial assets at December 31:

	2020	2019
Financial assets at year-end		
Cash	\$ 1,197,040	\$ 813,848
Pledges receivable	<u>9,486</u>	<u>12,039</u>
Total financial assets at year-end	1,206,526	825,887
Less amounts not available to be used within one year		
Net assets with donor restrictions	249,417	234,520
Amounts restricted for operational use in next year	<u>(29,486)</u>	<u>(12,039)</u>
	219,931	222,481
Financial assets available to meet cash needs for general expenditures within one year	\$ 986,595	\$ 603,406

As part of its liquidity plan, the Organization has a policy to structure its financial assets in order to have the funds available to meet its general expenditures, liabilities, and other obligations as they come due.

Note 3. **Property and Equipment**

Property and equipment consist of the following at December 31:

	2020	2019
Land and land improvements	\$ 270,655	\$ 267,373
Buildings and improvements	2,902,159	2,902,159
Furniture and equipment	140,366	139,166
Vehicles	<u>22,719</u>	<u>23,219</u>
	3,335,899	3,331,917
Less: accumulated depreciation	<u>(417,355)</u>	<u>(320,861)</u>
	\$ 2,918,544	\$ 3,011,056

Harvest Hands Community Development Corporation, Inc.

Notes to Financial Statements

For the Years Ended December 31, 2020 and 2019

Note 4. Notes Receivable

Notes receivable consists of the following at December 31:

	2020	2019
In August 2017, the Organization sold property and issued a note receivable to a borrower in the amount of \$2,300,000. The note calls for monthly interest payments in the amount of \$11,500 with all remaining principal and interest being due to August 2027. The note has an interest rate of 6.00%, and was secured by the property that was sold.	\$ -	\$ 2,300,000
In December 2017, the Organization sold property and issued a note receivable to a borrower in the amount of \$158,000. The note calls for monthly interest payments in the amount of \$1,017 and matures in December 2032. The note has an interest rate of 2.00%, and is secured by the property that was sold.	100,899	117,884
Total notes receivable	\$ 100,899	\$ 2,417,884

The following table represents future maturities of notes receivable:

Year ended December 31,	
2021	\$ 10,277
2022	10,484
2023	10,696
2024	10,912
2025	11,132
Thereafter	47,398
Total	\$ 100,899

Harvest Hands Community Development Corporation, Inc.

Notes to Financial Statements

For the Years Ended December 31, 2020 and 2019

Note 5. PPP Loan

On April 22, 2020, the Organization received a loan in the amount of \$122,160 in accordance with the PPP section of the CARES Act. Subsequent to year-end the Organization received notice that the initial draw was fully forgiven.

On March 5, 2021, the Organization received a second draw in the amount of \$117,922.

The Organization has elected to treat the PPP loan as debt and presented it as its own line item on the financial statements. The Organization has not recorded accrued interest due on the note through fiscal year-end as the amount is immaterial.

Note 6. Notes Payable

Notes payable consists of the following at December 31:

	2020	2019
The Organization has a note payable with a financial institution that was originated in April 2016 and matures in April 2021. The note is payable in monthly interest only payments with the outstanding principal balance being due at maturity. The purpose of the note was for the development of a new community center and offices. Borrowings under the note bear interest at institution's prime rate (3.25% at December 31, 2020). 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.	\$ 349,147	\$ 2,643,786
The Organization has a note payable with a financial institution that was originated in February 2018 and matures in August 2023. The note is payable in monthly principal payments of \$2,083 plus all accrued interest with the outstanding principal balance being due at maturity. The purpose of the note was for the development of a coffee shop. Borrowings under the note bear interest at The Wall Street Journal prime rate (3.25% at December 31, 2020). Borrowings are collateralized by a Deed of Trust on the associated building and land.	<u>400,658</u>	<u>415,196</u>
Total notes payable	\$ 749,805	\$ 3,058,982

The following table represents future maturities of notes payable:

Year ended December 31,	
2021	\$ 374,147
2022	25,000
2023	<u>350,658</u>
Total	\$ 749,805

Harvest Hands Community Development Corporation, Inc.

Notes to Financial Statements

For the Years Ended December 31, 2020 and 2019

Note 7. **Net Assets**

Net assets with donor restrictions were as follows at December 31:

	2020	2019
Future periods	\$ 29,486	\$ 12,039
Humphreys Street Coffee & Soap Broadway location	<u>219,931</u>	<u>222,481</u>
	\$ 249,417	\$ 234,520

Note 8. **Lease Commitments**

The Organization leases property 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, 2020 and 2019.

The Organization leases a portion of its facility to an individual to operate a small market. The lease expires on April 1, 2021. Rental income under this lease was approximately \$16,500 for the years ended December 31, 2020 and 2019.

The Organization also leases a sign located on its property to a company. The lease expires March 31, 2025. Rental income under this lease was approximately \$3,960 for the years ending December 31, 2020 and 2019.

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

Year ended December 31,	
2021	\$ 9,300
2022	4,350
2023	4,350
2024	4,350
2025	<u>1,088</u>
Total	\$ 23,438

Note 9. **Supplemental Cash Flow Disclosures**

During the years ended December 31, 2020 and 2019, cash paid for interest totaled \$75,786 and \$160,549, respectively.

Harvest Hands Community Development Corporation, Inc.

Notes to Financial Statements

For the Years Ended December 31, 2020 and 2019

Note 10. 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, 2020 and 2019. These amounts have been recognized as in-kind contributions of \$43,925 for the years ended December 31, 2020 and 2019.

Approximately 17% and 15% of the Organization's total contributions were received from BUMC during the years ended December 31, 2020 and 2019, respectively. The current level of the Organization's operations and program services may be impacted or segments discontinued if the funding does not continue.

As mentioned in note 6 BUMC fully guarantees the construction note payable held by the Organization.

Note 11. Subsequent Events

Management has evaluated subsequent events through October 29, 2021, the date on which the financial statements were available for issuance.