

**HARVEST HANDS COMMUNITY
DEVELOPMENT CORPORATION, INC.
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT
YEARS ENDED DECEMBER 31, 2015 AND 2014**

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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, 2015 and 2014, 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, (collectively, 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, 2015 and 2014 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
October 31, 2016

HARVEST HANDS COMMUNITY DEVELOPMENT CORPORATION, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2015 AND 2014

ASSETS			
	2015	2014	
Current assets			
Cash	\$ 288,812	\$ 221,048	
Accounts receivable	6,365	10,559	
Pledges receivable	12,653	31,682	
Prepaid expenses	<u>-</u>	<u>5,949</u>	
Total current assets	307,830	269,238	
Property and equipment, net	1,175,347	411,847	
Intangible assets, net	<u>28,102</u>	<u>1,115</u>	
Total assets	<u><u>\$ 1,511,279</u></u>	<u><u>\$ 682,200</u></u>	
LIABILITIES AND NET ASSETS			
Current liabilities			
Accrued expenses	\$ 32,058	\$ 20,963	
Accounts payable	2,686	-	
Current portion of notes payable	<u>116,225</u>	<u>1,622</u>	
Total current liabilities	150,969	22,585	
Long term debt			
Notes payable, less current portion	<u>680,268</u>	<u>43,194</u>	
Total liabilities	<u>831,237</u>	<u>65,779</u>	
Net assets			
Unrestricted	636,175	616,421	
Temporarily restricted	<u>43,867</u>	<u>-</u>	
Total net assets	<u>680,042</u>	<u>616,421</u>	
Total liabilities and net assets	<u><u>\$ 1,511,279</u></u>	<u><u>\$ 682,200</u></u>	

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, 2015 AND 2014

	2015	2014
Operating revenues and support		
Contributions	\$ 253,525	\$ 246,431
Contributions in-kind	57,757	62,138
Special events	218,312	177,041
Merchant sales	166,800	112,635
Program fees	35,032	29,344
Investment income	77	75
Miscellaneous	<u>-</u>	<u>1,751</u>
Total operating revenues and support	<u>731,503</u>	<u>629,415</u>
Functional expenses		
Program services	587,406	485,925
Supporting services		
Management and general	88,813	109,310
Fundraising	<u>35,530</u>	<u>61,699</u>
Total functional expenses	<u>711,749</u>	<u>656,934</u>
Increase (decrease) in net assets from operations	<u>19,754</u>	<u>(27,519)</u>
Changes in temporarily restricted net assets		
Contributions	<u>43,867</u>	<u>-</u>
Increase in temporarily restricted net assets	<u>43,867</u>	<u>-</u>
Other changes		
Gain on sale of property	<u>-</u>	<u>67,712</u>
Total increase in net assets	63,621	40,193
Net assets, beginning of year	<u>616,421</u>	<u>576,228</u>
Net assets, end of year	<u><u>\$ 680,042</u></u>	<u><u>\$ 616,421</u></u>

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
Program expenses	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	20,794	-	-	20,794
Depreciation	13,992	-	-	13,992
Amortization	2,896	-	-	2,896
Benefits	6,734	1,209	691	8,634
Miscellaneous	2,273	-	-	2,273
	<u>\$ 587,406</u>	<u>\$ 88,813</u>	<u>\$ 35,530</u>	<u>\$ 711,749</u>

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, 2014

	Program Services	Management and General	Fundraising	Total
Cost of goods sold	\$ 99,004	\$ -	\$ -	\$ 99,004
Payroll	142,998	72,263	45,813	261,074
Events	14,944	-	5,200	20,144
Payroll taxes	9,126	4,612	2,924	16,662
Contract services	25,243	3,745	-	28,988
Staff development	16,741	2,093	2,093	20,927
Professional services	23,208	9,625	-	32,833
Program expenses	54,843	-	-	54,843
Office expense	-	2,993	-	2,993
Advertising	16,769	-	-	16,769
Utilities	12,960	1,620	1,620	16,200
Rent	25,160	2,163	2,163	29,486
Repairs and maintenance	6,699	-	-	6,699
Volunteer expense	793	-	-	793
Taxes, licenses, and fees	704	5,444	-	6,148
Insurance	7,326	1,293	-	8,619
Interest	6,686	-	-	6,686
Depreciation	14,151	-	-	14,151
Amortization	405	-	-	405
Benefits	7,787	3,459	1,886	13,132
Miscellaneous	378	-	-	378
	<u>\$ 485,925</u>	<u>\$ 109,310</u>	<u>\$ 61,699</u>	<u>\$ 656,934</u>

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, 2015 AND 2014

	2015	2014
Cash flows from operating activities:		
Increase in net assets	\$ 63,621	\$ 40,193
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	13,992	14,151
Amortization	2,896	405
(Increase) decrease in:		
Accounts receivable	4,194	(8,821)
Pledges receivable	19,029	(26,076)
Prepaid expenses	5,949	(5,949)
(Decrease) increase in:		
Accrued expenses	11,095	15,356
Accounts payable	2,686	(1,120)
Total adjustments	59,841	(12,054)
Net cash provided by operating activities	123,462	28,139
Cash flows from investing activities:		
Proceeds from disposal of property and equipment	-	117,543
Purchase of property and equipment	(21,492)	-
Purchase of intangibles	(29,883)	-
Net cash (used) provided by investing activities	(51,375)	117,543
Cash flows from financing activities:		
Principal payments on notes payable	(4,323)	(124,529)
Net cash used by financing activities	(4,323)	(124,529)
Net increase in cash	67,764	21,153
Cash, beginning of year	221,048	199,895
Cash, end of year	\$ 288,812	\$ 221,048
<u>Supplemental disclosure of non-cash investing activities:</u>		
Purchase of property with debt	\$ 756,000	\$ -
<u>Other cash flow disclosures:</u>		
Cash paid during the year for interest	\$ 14,675	\$ 6,686

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

HARVEST HANDS COMMUNITY DEVELOPMENT CORPORATION, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014

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.

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 may exceed federally insured limits.

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.

HARVEST HANDS COMMUNITY DEVELOPMENT CORPORATION, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2015 AND 2014

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, 2015 and 2014, 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 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, 2015 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.

HARVEST HANDS COMMUNITY DEVELOPMENT CORPORATION, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2015 AND 2014

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.

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31, 2015 and 2014:

	2015	2014
Land and land improvements	\$ 493,007	\$ 274,451
Building and improvements	685,143	141,700
Furniture and equipment	39,241	33,608
Vehicles	15,500	12,000
Construction in progress	6,360	-
	<u>1,239,251</u>	<u>461,759</u>
Accumulated depreciation	<u>(63,904)</u>	<u>(49,912)</u>
	<u><u>\$ 1,175,347</u></u>	<u><u>\$ 411,847</u></u>

HARVEST HANDS COMMUNITY DEVELOPMENT CORPORATION, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE 4 - LONG TERM DEBT

Long term debt consists of the following for the Organization at December 31, 2015 and 2014:

	2015	2014
In August of 2015 the Organization borrowed \$650,000 from an individual. The installment note is due in monthly principal and interest payments of \$3,793 with the final payment becoming due September 2020. The note has an adjustable interest rate of the prime rate plus 2.5%, and is 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 is due in monthly interest payments of \$1,060 with all remaining principal and interest becoming due September 2016. The note has an interest rate of 12%, and is 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 becoming due October 2017. The note has an interest rate of 5%, and is collateralized by all of the Organization's assets.	43,227	44,816
	796,493	44,816
Less current portion	(116,225)	(1,622)
	<u>\$ 680,268</u>	<u>\$ 43,194</u>

The principal maturities of long-term debt at December 31, 2015 are as follows:

2016	\$ 116,225
2017	50,551
2018	9,559
2019	10,124
2020	610,034
	<u>\$ 796,493</u>

HARVEST HANDS COMMUNITY DEVELOPMENT CORPORATION, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE 5 - LEASE COMMITMENTS

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 approximately \$1,210 for each of the years ending December 31, 2015 and 2014.

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, 2015 and 2014, respectively.

The Organization leases property at 1224 Martin Street, Nashville, Tennessee which it uses for various program and administrative activities. The rental agreement has a term of 1 year which expired on April 30, 2015. The lease is now cancelable on a month-to-month basis. Lease expense under this lease amounted to \$8,652 and \$5,768 for the years ended December 31, 2015 and 2014, respectively.

The minimum lease payments required under the above operating leases as of December 31, 2015 are as follows:

2016	\$ 1,210
2017	1,210
2018	807
	<u>\$ 3,227</u>

NOTE 6 - RELATED PARTY TRANSACTIONS

The Organization owned land at 431 Wingrove Avenue, Nashville, Tennessee that was donated by Brentwood United Methodist Church (BUMC). BUMC donated the property to the Organization in October of 2013 and the related property value of \$21,000 was recognized as an in-kind donation for the year ended December 31, 2013. This property was subsequently sold in September of 2014.

BUMC also paid the salary of the Organization's Executive Director for the years ended December 31, 2015 and 2014. These amounts have been recognized as in-kind contributions of \$57,757 and \$56,138 for the years ended December 31, 2015 and 2014, respectively.

BUMC also donated \$159,771 and \$71,452 to the Organization during the years ended December 31, 2015 and 2014, respectively.

HARVEST HANDS COMMUNITY DEVELOPMENT CORPORATION, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE 7 - CONCENTRATIONS

Approximately 28% and 18% of the Organization's total revenue was obtained from BUMC during the years ended December 31, 2015 and 2014, 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 8 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 31, 2016, the date which the financial statements were available to be issued.