

**BE A HELPING HAND FOUNDATION**  
**FINANCIAL STATEMENTS, SUPPLEMENTARY**  
**INFORMATION AND**  
**INDEPENDENT AUDITORS' REPORT**  
**DECEMBER 31, 2011**

**BE A HELPING HAND FOUNDATION**

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February 26, 2013

**Independent Auditors' Report**

To the Board of Directors of  
Be A Helping Hand Foundation  
Nashville, Tennessee

We have audited the accompanying statement of financial position of Be A Helping Hand Foundation (the Foundation), a non-profit organization, as of December 31, 2011, and the related statements of activities and changes in net assets, cash flows, and functional expenses for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Be A Helping Hand Foundation as of December 31, 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 26, 2013 on our consideration of the Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the Foundation taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Puryear, Hamilton, Haasman & Wood, P.C.*

Franklin, Tennessee

**BE A HELPING HAND FOUNDATION**

**Statement of Financial Position**

**December 31, 2011**

**Assets**

Current assets:

Cash and cash equivalents:

Unrestricted

\$ 34,321

Temporarily restricted

8,000

Accounts receivable

12,425

Accrued rent

598

Grants receivable - Federal

6,715

Grants receivable - State

16,647

Total current assets

78,706

Property and equipment

1,178,467

Total assets

\$1,257,173

**Liabilities and Net Assets**

Current liabilities:

Line of credit

\$ 86,888

Notes payable - Related parties

87,812

Current portion of notes payable

14,584

Accounts payable

27,532

Accrued payroll

10,527

Accrued interest - Related party

11,390

Security deposits

4,000

Total current liabilities

242,733

Long-term portion of notes payable

303,978

Total liabilities

546,711

Net assets:

Unrestricted

702,462

Temporarily restricted

8,000

Total net assets

710,462

Total liabilities and net assets

\$1,257,173

See independent auditors' report and accompanying notes to financial statements.

**BE A HELPING HAND FOUNDATION**

**Statement of Activities and Changes in Net Assets**

**For the Year Ended December 31, 2011**

	<b><u>Unrestricted</u></b>	<b><u>Temporarily Restricted</u></b>	<b><u>Total</u></b>
Support and revenues:			
Grant income - Federal awards	\$ 826,473	\$ -	\$ 826,473
Contributions	12,770	10,000	22,770
Grant income - State awards	77,362	-	77,362
Rental income and fees	34,839	-	34,839
Training fees	24,972	-	24,972
Other income	6,676	-	6,676
Net assets released from restrictions:			
Satisfaction of program restrictions	<u>2,000</u>	<u>(2,000)</u>	<u>-</u>
Total support and revenues	<u>985,092</u>	<u>8,000</u>	<u>993,092</u>
Expenses:			
Program services	133,734	-	133,734
Fundraising	795	-	795
General and administrative	<u>40,716</u>	<u>-</u>	<u>40,716</u>
Total expenses	<u>175,245</u>	<u>-</u>	<u>175,245</u>
Increase (decrease) in net assets	809,847	8,000	817,847
Net deficit at beginning of year	<u>(107,385)</u>	<u>-</u>	<u>(107,385)</u>
Net assets at end of year	<u>\$ 702,462</u>	<u>\$ 8,000</u>	<u>\$ 710,462</u>

See independent auditors' report and accompanying notes to financial statements.

**BE A HELPING HAND FOUNDATION**

**Statement of Cash Flows**

**For the Year Ended December 31, 2011**

Operating activities:	
Increase (decrease) in net assets	\$ 817,847
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used for) operating activities:	
Depreciation	10,525
Changes in operating assets and liabilities:	
(Increase) decrease in accounts receivable	(12,425)
(Increase) decrease in accrued rent	(598)
(Increase) decrease in grants receivable - Federal	(16,647)
(Increase) decrease in grants receivable - State	(6,715)
Increase (decrease) in accounts payable	14,750
Increase (decrease) in accrued payroll	10,527
Increase (decrease) in accrued interest	4,200
Increase (decrease) in security deposits	<u>3,600</u>
Net cash provided by (used for) operating activities	<u>825,064</u>
Investing activities:	
Purchase of property and equipment	<u>(920,767)</u>
Net cash provided by (used for) investing activities	<u>(920,767)</u>
Financing activities:	
Payments made on line of credit	(1,788)
Payments made on notes payable - Related parties	(18,713)
Proceeds from notes payable	158,235
Payments made on notes payable	<u>(5,677)</u>
Net cash provided by (used for) financing activities	<u>132,057</u>
Increase (decrease) in cash and cash equivalents	36,354
Cash and cash equivalents at beginning of year	<u>5,967</u>
Cash and cash equivalents at end of year	<u>\$ 42,321</u>
Supplemental disclosure of cash flow information:	
Cash paid during the year for interest	<u>\$ 11,513</u>
See independent auditors' report and accompanying notes to financial statements.	

# BE A HELPING HAND FOUNDATION

## Statement of Functional Expenses

For the Year Ended December 31, 2011

	Program Services			Supporting Services		
	Low Income Housing	Job Training	Total	General and Administrative	Fundraising	Total
Payroll	\$ 37,614	\$ 8,680	\$ 46,294	\$ 11,574	\$ -	\$ 11,574
Interest	18,696	-	18,696	543	-	543
Rent	11,310	2,610	13,920	3,480	-	3,480
Contract labor	-	11,920	11,920	-	-	-
Professional services	5,713	-	5,713	5,620	-	5,620
Depreciation	10,121	404	10,525	-	-	-
Utilities	4,113	-	4,113	2,926	-	2,926
Travel and meals	-	-	-	5,273	-	5,273
Insurance	-	-	-	5,247	-	5,247
Repairs and maintenance	4,562	-	4,562	119	-	119
Office expenses	-	-	-	4,273	-	4,273
Property taxes	4,136	-	4,136	-	-	-
Student materials and tools	-	2,303	2,303	-	-	-
CPR training	-	2,255	2,255	-	-	-
Closing fees	2,186	-	2,186	-	-	-
Fundraising	-	-	-	-	795	795
Miscellaneous	7,111	-	7,111	1,661	-	1,661
Total functional expenses	<u>\$ 105,562</u>	<u>\$ 28,172</u>	<u>\$ 133,734</u>	<u>\$ 40,716</u>	<u>\$ 795</u>	<u>\$ 41,511</u>
						<u>\$ 175,245</u>

See independent auditors' report and accompanying notes to financial statements.



# **BE A HELPING HAND FOUNDATION**

## **Notes to Financial Statements**

**December 31, 2011**

### **(1) Summary of Significant Accounting Policies**

#### **(a) General**

Be A Helping Hand Foundation (the Foundation), a nonprofit organization, was established in April 2001. The Foundation's mission is to provide affordable housing, free education, job training, and job placement assistance in the construction industry. The construction training program includes 320 hours of paid on the job training in the areas of carpentry, electrical work, plumbing, and air conditioning. Properties have been purchased and rehabilitated in low-income neighborhoods to be made available for renters in need of safe, clean, family homes.

#### **(b) Basis of Accounting**

The financial statements of the Foundation are prepared using the accrual basis of accounting under which revenue is recognized when earned rather than when collected and expenses are recognized when incurred rather than when disbursed.

#### **(c) Basis of Presentation**

Financial statement presentation follows the recommendation of the Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) 958-205, *Financial Statements of Not-for-Profit Organizations*. Under FASB ASC 958-205, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. A description of the three net asset categories follows:

**Unrestricted** – Net assets that are not subject to donor-imposed restrictions. Unrestricted net assets may be designated for specific purposes by action of the Foundation's Board of Directors.

**Temporarily Restricted** – Net assets whose use by the Foundation are subject to donor-imposed restrictions that can be fulfilled by actions of the Foundation pursuant to those restrictions or that expire by the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities and Changes in Net Assets as net assets released from restrictions. In 2011, the Foundation had \$8,000 in temporarily restricted net assets.

(Continued)

**Permanently Restricted** – Net assets subject to donor-imposed restrictions that they be maintained permanently by the Foundation. Generally, the donors of these assets permit the Foundation to use all or part of the income earned on any related investments for general or specific purposes. No permanently restricted assets were held during 2011 and, accordingly, these financial statements do not reflect any activity related to this class of net assets for 2011.

**(d) Use of Estimates**

Preparation of the Foundation's financial statements in accordance with accounting principles generally accepted in the United States of America requires the use of management's estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, the actual amounts may differ from these estimates.

**(e) Cash Equivalents**

For the purpose of the Statement of Financial Position and the Statement of Cash Flows, the Foundation considers all highly liquid instruments with original maturities of three months or less to be cash equivalents.

**(f) Promises to Give**

Contributions are recognized when the donor makes a promise to give to the Foundation that is, in substance, unconditional. There are none at December 31, 2011.

**(g) Doubtful Receivables**

The Foundation uses the allowance method to determine uncollectible receivables. Management's estimate of doubtful accounts is based on historical collection experience and a review of the current status of the receivables. There is no allowance for receivables at December 31, 2011. It is reasonably possible that management's estimate of the allowance for doubtful receivables could change. Receivables are charged against the allowance when management believes the collectability of the receivable is unlikely. For the year ended December 31, 2011, no bad debt expense was recognized. Receivables are considered delinquent after thirty days; however, late fees are not assessed. Interest is not assessed on delinquent accounts. It is not the policy of the Foundation to place accounts on non-accrual status. At December 31, 2011, there are no material accounts receivable greater than ninety days old.

**(h) Contributions and Support**

Contributions received are recorded as increases in unrestricted, temporarily restricted, or permanently restricted net assets, depending on the existence and/or

(Continued)

nature of any donor restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities and Changes in Net Assets as net assets released from restrictions.

Contributions, which are received as temporarily restricted, and whose restrictions are met within the same year are shown as unrestricted support on a first-in, first-out basis.

**(i) Property and Equipment**

Property and equipment are recorded at cost, or at fair market value if donated. Depreciation is computed on the straight-line method over the estimated useful lives of the related assets that range from 7 to 27.5 years. The Foundation capitalizes all items related to the rental properties, including interest costs, until the property is placed in service. The Foundation capitalizes other items that are greater than or equal to \$1,000 and expenses items under \$1,000.

The Foundation reviews the carrying value of property and equipment for impairment whenever events and circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. In cases where undiscounted expected future cash flows are less than the carrying value, an impairment loss is recognized equal to an amount by which the carrying value exceeds the fair value of assets. The factors considered by management in performing this assessment include current operating results, trends and prospects, and the effects of obsolescence, demand, competition, and other economic factors. Based on this assessment, there was no impairment at December 31, 2011.

**(j) Income Taxes**

The Foundation is exempt from federal income taxes under the Internal Revenue Code (the Code) Section 501(c)(3). Accordingly, federal income taxes are not provided for in the accompanying financial statements.

Contributions to the Foundation qualify for the charitable contributions deduction to the extent provided by Section 170 of the Code. The Foundation follows FASB ASC 740-10, *Accounting for Uncertainty in Income Taxes*, as it relates to uncertain tax positions. Any interest and penalties recognized associated with a tax position are classified in general and administrative expense in the Foundation's financial statements.

**(k) Program Services**

Program services include job training and low-income housing.

(Continued)

**(l) Grant Revenue**

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

**(m) Functional Allocation of Expenses**

The costs of providing the various programs and supporting services have been summarized on a functional basis in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**(n) Contributed Services**

A substantial number of unpaid volunteers have made significant contributions of their time to develop the Foundation's programs. No amounts have been recognized in the accompanying financial statements because the criteria for recognition under FASB ASC 958-205 have not been satisfied.

**(o) Fair Value Measurements**

The Foundation follows FASB ASC 820-10, *Fair Value Measurements*, with respect to its financial assets and liabilities. FASB ASC 820-10 defines fair value and establishes a framework for measuring fair value under generally accepted accounting principles. The current practice includes: (1) the definition of fair value, which focuses on an exit price rather than on entry price; (2) the methods used to measure fair value, such as emphasis that fair value is a market-based measurement, not an entity-specific measurement, as well as the inclusion of an adjustment for risk, restrictions, and credit standing; and (3) the expanded disclosures about fair value measurements. FASB ASC 820-10 does not require any new fair value measurements. The standard describes a fair value hierarchy based on three levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value as follows:

**Level 1** – Unadjusted quoted prices in active markets for identical assets or liabilities that the Foundation has the ability to access.

**Level 2** – Observable inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. These inputs may include quoted prices for the identical instrument on an inactive market, prices for similar instruments, interest rates, prepayment speeds, credit risk, yield curves, default rates and similar data, or other inputs that are

(Continued)

observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

**Level 3** – Unobservable inputs for the asset or liability, to the extent relevant observable inputs are not available, representing the Foundation’s own assumptions about the assumptions a market participant would use in valuing the asset or liability, and would be based on the best information available. These inputs may be supported by little or no market activity.

The availability of observable inputs can vary from instrument to instrument and is affected by a wide variety of factors, including, for example, the type of instrument, whether the instrument is new and not yet established in the marketplace, the liquidity of markets, and other characteristics particular to the instrument. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments categorized in Level 3.

The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement falls in its entirety, is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

Generally accepted accounting principles require disclosure of an estimate of fair value of certain financial instruments. The Foundation’s significant financial instruments are cash and other short-term assets and liabilities. For these financial instruments, carrying values approximate fair value.

**(p) New Accounting Pronouncement**

In May 2011, the FASB issued an Accounting Standards Update (ASU) to develop common requirements for measuring fair value and for disclosing information about fair value measurements in U.S. GAAP and International Financial Reporting Standards (IFRS). The amendments are intended to improve the comparability of fair value measurements presented and disclosed in the financial statements prepared in accordance with U.S. GAAP and IFRS. The ASU is effective during interim or annual periods beginning after December 15, 2011. The Foundation will evaluate the implication of this ASU and its impact on the financial statements.

**(q) Subsequent Events**

The Foundation has evaluated subsequent events through February 26, 2013, the date the financial statements were available to be issued.

(Continued)

**(2) Property and Equipment**

A summary of property and equipment as of December 31, 2011 is as follows:

Land held for lease	\$ 336,500
Property held for lease	857,408
Tools and equipment	<u>3,119</u>
	1,197,027
Less accumulated depreciation	<u>(18,560)</u>
	<u>\$ 1,178,467</u>

Depreciation expense for the year ended December 31, 2011 totaled \$10,525. No interest costs were capitalized during 2011, as amounts were immaterial.

At December 31, 2011, the Foundation has executed operating leases on four of its sixteen properties. None of the leases are for more than one year. Rental income and fees from property held for lease totaled \$29,699 for the year ended December 31, 2011. As of December 31, 2011, accumulated depreciation for property held for lease was \$17,061.

**(3) Temporarily Restricted Net Assets**

Temporarily restricted net assets at December 31, 2011 are available for the following purposes:

Job training	<u>\$ 8,000</u>
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Net assets were released from donor restrictions by incurring expenses satisfying the purpose restrictions specified by donors at December 31, 2011 as follows:

Job training	<u>\$ 2,000</u>
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**(4) Income Taxes**

The Foundation recognizes the tax benefits of uncertain tax positions only where the position is "more likely than not" to be sustained assuming examination by tax authorities. Management has analyzed the Foundation's tax positions and has concluded that no tax liability for unrecognized tax benefits should be recorded related to uncertain tax positions taken on returns filed for the open tax years (2009 – 2011). The Foundation identifies its major tax jurisdictions as the U.S. Federal and the State of Tennessee. However, the Foundation is not currently under audit nor has the Foundation been contacted by any jurisdiction. The Foundation is not aware of any tax positions for which it is reasonably possible that the total amounts of unrecognized tax benefits will change in the next twelve months.

(Continued)

During the year ended December 31, 2011, the Foundation did not recognize any material interest and penalties relating to taxes, nor were any accrued at December 31, 2011.

**(5) Line of Credit**

The Foundation has established a \$90,000 revolving line of credit at SunTrust Bank, which is due on demand. Interest, at the Bank's Prime Rate plus 2%, which is 5.25% at December 31, 2011, is due monthly. The line of credit is secured by a blanket lien on the Foundation's assets.

**(6) Notes Payable - Related Parties**

The Foundation has entered into numerous demand notes, all at 8% interest, with the Executive Director. At December 31, 2011, the note balance and accrued interest is \$48,649 and \$11,390, respectively. In August of 2012, a new consolidated promissory note was executed (see Note 10).

The Foundation has entered into two notes at 0% interest with a Board Member. Both notes are due in 2012 and, therefore, classified as current. At December 31, 2011, the note balance is \$39,163. In September of 2012, a new consolidated promissory note was executed (see Note 10).

**(7) Notes Payable**

Notes payable secured by low income properties at December 31, 2011 consist of the following:

Secured promissory note payable to First State Bank in 59 monthly installments of \$354, secured by a house and real property with a carrying value of approximately \$125,000, including interest at 6.24% calculated using the 365/360 method, maturing in December 2015, with final balloon payment and personally guaranteed by the Executive Director.

\$ 39,464

Secured promissory note payable to Pinnacle National Bank in 59 monthly installments of \$376, beginning January 2012, secured by a house and real property with a carrying value of approximately \$114,400, including interest at 5.75% calculated using the 365/360 method, maturing in December 2016, with final balloon payment and personally guaranteed by the Executive Director.

45,000

(Continued)

Secured promissory note payable to Pinnacle National Bank in 53 monthly installments of \$146 beginning March 2012, secured by a house and real property with a carrying value of approximately \$114,600, including a variable interest rate that is currently 0% (Prime less 4%), calculated using the 365/360 method, maturing in July 2016, with final balloon payment.	\$ 26,235
Secured promissory note payable to Pinnacle National Bank in 53 monthly installments of \$83 beginning June 2012, secured by a house and real property with a carrying value of approximately \$78,700, including a variable interest rate that is currently at 0% (Prime less 4%), calculated using the 365/360 method, maturing in November 2016, with final balloon payment.	15,000
Secured promissory note payable to Pinnacle National Bank in 53 monthly installments of \$72 beginning June 2012, secured by a house and real property with a carrying value of approximately \$53,800, including a variable interest rate that is currently at 0% (Prime less 4%), calculated using the 365/360 method, maturing in November 2016, with final balloon payment.	13,000
Secured promissory note payable to Pinnacle National Bank in 53 monthly installments of \$64 beginning June 2012, secured by a house and real property with a carrying value of approximately \$47,500, including a variable interest rate that is currently 0% (Prime less 4%), calculated using the 365/360 method, maturing in November 2016, with final balloon payment.	11,500
Secured promissory note payable to Pinnacle National Bank in 53 monthly installments of \$81 beginning June 2012, secured by a house and real property with a carrying value of approximately \$43,800, including a variable interest rate that is currently 0% (Prime less 4%), calculated using the 365/360 method, maturing in November 2016, with final balloon payment.	14,500
Secured promissory note payable to Pinnacle National Bank in 53 monthly installments of \$72 beginning June 2012, secured by a house and real property with a carrying value of approximately \$53,900, including a variable interest rate that is currently at 0% (Prime less 4%), calculated using the 365/360 method, maturing in November 2016, with final balloon payment.	13,000

(Continued)



Secured promissory note payable to Pinnacle National Bank in 53 monthly installments of \$111 beginning June 2012, secured by a house and real property with a carrying value of approximately \$123,600, including a variable interest rate that is currently at 0% (Prime less 4%), calculated using the 365/360 method, maturing in November 2016, with final balloon payment.

\$ 20,000

Secured promissory note payable to Pinnacle National Bank in 59 monthly installments of \$791, secured by a house and real property with a carrying value of approximately \$101,300, including interest at 6.50% calculated using the 365/360 method, maturing in April 2014, with final balloon payment and personally guaranteed by the Executive Director.

97,824

Secured promissory note payable to an individual in 59 monthly payments of \$320, secured by a house and real property with a carrying value of approximately \$32,500, including interest at 8%, calculated using 15-year amortization, maturing in January 2014, with final balloon payment and personally guaranteed by a Board Member.

23,039

318,562

Less, current portion

(14,584)

Long-term portion

\$303,978

Maturities of notes payable as of December 31, 2011 are summarized as follows:

2012	\$ 14,584
2013	16,757
2014	120,869
2015	43,717
2016	<u>122,635</u>
	<u>\$ 318,562</u>

#### **(8) Related Party Transactions**

The Foundation has numerous demand notes at 8% interest with the Executive Director. At December 31, 2011, the total balance is \$48,649 and the related accrued interest balance is \$11,390 (see Notes 6 and 10). The Foundation paid the Executive Director \$17,400 for rent of the office building under a two-year lease ending in April 2012. In April 2012, a new two-year lease was executed for the period May 2012 to April 2014 at

(Continued)

\$1,450 per month. The Foundation received \$4,250 in contributions from the Executive Director.

The Foundation has various notes payable at 0% interest with a Board Member. At December 31, 2011, the balance is \$39,163 (see Notes 6 and 10). The Foundation also paid this Board Member \$8,570 during 2011 as a Program Instructor, which is included in contract labor. The Foundation also received \$5,170 in 2011 from this Board Member for sublease income on the office building, which is included in rental income. The one year lease was executed for the period February 2011 to January 2012. In January 2012, a new one year lease was executed for the period February 2012 to January 2013.

The Foundation paid the Board Chairman \$3,350 during 2011 as Program Coordinator, which is included in contract labor.

#### **(9) Grants**

The Foundation has entered into various grant agreements with the Metropolitan Development and Housing Agency (MDHA). The grants are funded by the Department of Housing and Urban Development's HOME Investment Partnerships Program (HOME) set aside for Community Housing Development Organizations (CHDO). Under the grant agreements, the Foundation will use these funds to purchase and rehabilitate homes using the Tennessee Housing Development Agency (THDA) grant funds described below for leverage for construction for affordable rental housing. The Foundation purchased and rehabilitated one house under this grant agreement in 2011. Under the terms of the grant agreements, the Foundation has agreed to repay MDHA the full allocation of CHDO funds if any of the properties are sold during the "affordability period" (fifteen to twenty years from date of project completion). However, the Foundation has classified the properties as held for lease and does not anticipate that the houses will be sold during the "affordability period" and, therefore, no liability is reflected on these financial statements.

On July 1, 2010, the Foundation entered into a grant agreement with THDA. The grant period ends June 30, 2013. Under the grant agreement, the Foundation will use THDA Housing Trust Funds to acquire and rehabilitate one unit of rental housing in Davidson County for very low income households, and leverage with the Neighborhood Stabilization Program 2 (NSP2) grant funds described below to rehabilitate and construct three additional units. The Foundation purchased and rehabilitated one house under this grant agreement in 2011. Under the terms of the grant agreement, the Foundation has agreed to repay THDA the grant funds if any of the properties are sold during the "affordability period" (five years from date of completion). However, the Foundation has classified the properties as held for lease and does not anticipate that the houses will be sold during the "affordability period" and, therefore, no liability is reflected on these financial statements.

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On March 31, 2011, the Foundation entered into a sub-developer agreement with The Fifteenth Avenue Baptist Community Development Corporation (the Developer) and MDHA. Under this agreement, the Developer engaged the Foundation as a developer to acquire, rehabilitate, and redevelop multiple residential units in target areas. The Foundation will receive NSP2 funds up to \$844,000 for the acquisition and redevelopment of property and related expenses eligible for funding under the NSP2 program. Funds do not have to be paid back as long as the properties are maintained for low income housing during the “affordability period” (fifteen to twenty years from date of completion). The Foundation earned a developer fee of \$61,428 based on 8% to 10% of the total NSP2 costs, which is included in grant income in 2011. The Foundation purchased twelve units under this grant agreement in 2011. The Foundation has classified the properties as held for lease and does not anticipate that the houses will be sold during the “affordability period” and, therefore, no liability is reflected on these financial statements.

**(10) Subsequent Events**

On July 1, 2012, the Foundation entered into a grant agreement with THDA. The grant period ends June 30, 2015. Under the grant agreement, the Foundation used THDA Housing Trust Funds as leverage for rehabilitation of two rental units and construction of two rental homes in Davidson County for very low income households. No funds were used for acquisition. Under the terms of the grant agreement, the Foundation has agreed to repay THDA the grant funds if any of the properties are sold during the “affordability period” (five years from date of completion). However, the Foundation will classify the properties as held for lease and does not anticipate that the houses will be sold during the “affordability period.”

As of the date of this report, the Foundation has acquired six new properties totaling approximately \$637,800 with the HOME CHDO grant funds described in Note 9 for acquisition and construction leverage from THDA grant funds described in the preceding paragraph. These properties will be classified as land and property held for lease.

On August 21, 2012, the Foundation executed a new promissory note for \$64,813 with the Executive Director that consolidated all the previous demand notes plus accrued interest with 72 monthly installments of \$540 with 0% interest and a balloon payment. The note includes the right to exercise the balloon payment in August 2018, or refinance the loan for an additional 48 months. The lender also has the right to donate up to 20% of the principal balance to the Foundation. The note is unsecured.

On September 4, 2012, the Foundation executed a new promissory note for \$34,432 with a Board Member that consolidated two notes due in 2012 with 72 monthly installments of \$470 with 0% interest. The note is unsecured.

As of the date of this report, the Foundation has executed additional promissory notes with Pinnacle National Bank for three properties that total \$78,000.

## **SUPPLEMENTARY INFORMATION**

**BE A HELPING HAND FOUNDATION**

**Schedule of Expenditures of Federal Awards**

**For the Year Ended December 31, 2011**

<b><u>Federal Grantor/ Pass-Through Grantor Agency</u></b>	<b><u>Program Name</u></b>	<b><u>CFDA No.</u></b>	<b><u>Pass-Through Contract Number</u></b>	<b><u>Grants (Receivable)/ Deferred Beginning of Year</u></b>	<b><u>Cash Receipts</u></b>	<b><u>Grants (Receivable)/ Deferred End of Year</u></b>
U.S. Department of Housing and Urban Development: Pass-Through Program from: Metropolitan Development and Housing Agency	ARRA - Neighborhood Stabilization Program (Recovery Act Funded)	14.256	B-09-CN-TN-0024	\$ -	\$ 738,258	\$ (6,715)
	Home Investment Partnerships Program	14.239	N/A	-	81,500	-
	Total Federal awards			\$ -	\$ 819,758	\$ (6,715)

**Note to Schedule of Expenditures of Federal Awards**

**Note 1 - Basis of Accounting**

The Schedule of Expenditures of Federal Awards is prepared on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, *Cost Principles for Not-Profit Organizations*, wherein certain types of expenditures are not allowed or are limited as to reimbursement.

See independent auditors' report.

February 26, 2013

**Report on Internal Control Over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards***

To The Board of Directors  
Be A Helping Hand Foundation  
Nashville, Tennessee

We have audited the financial statements of Be A Helping Hand Foundation (the Foundation), a non-profit organization, as of and for the year ended December 31, 2011, and have issued our report thereon dated February 26, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

Management of the Foundation is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Foundation's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness and another deficiency that we consider to be a significant deficiency.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Foundation's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs to be a material weakness (Finding No. 2011-1 for the year ended December 31, 2011).

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs to be a significant deficiency (Finding No. 2011-2 for the year ended December 31, 2011).

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Foundation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Foundation in a separate letter dated February 26, 2013.

The Foundation's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the Foundation's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Directors, the Audit Committee, management, others within the Foundation, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Puryear Hamilton Hanson & Associates, P.C.".

Franklin, Tennessee

February 26, 2013

**Independent Auditors' Report on Compliance with Requirements  
That Could Have a Direct and Material Effect on Each Major Program  
and on Internal Control Over Compliance  
in Accordance With OMB Circular A-133**

To the Board of Directors  
Be A Helping Hand Foundation  
Nashville, Tennessee

**Compliance**

We have audited Be A Helping Hand Foundation's (the Foundation), a non-profit organization, compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on the Foundation's major federal program for the year ended December 31, 2011. The Foundation's major federal program is identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the Foundation's management. Our responsibility is to express an opinion on the Foundation's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Foundation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our



audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Foundation's compliance with those requirements.

In our opinion, the Foundation complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2011.

### **Internal Control Over Compliance**

Management of the Foundation is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Foundation's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of Directors, the Audit Committee, management, others within the Foundation, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, reading "Puryear, Hamilton, Hausman & Wood, P.C." in a cursive script.

Franklin, Tennessee

**BE A HELPING HAND FOUNDATION**

**Schedule of Findings and Questioned Costs**

**For the Year Ended December 31, 2011**

**Section I Summary of Auditors' Results**

**Financial Statements**

Type of auditors' report issued:

**Unqualified**

Internal control over financial reporting:

Material weakness(es) identified?

  X   yes        no

Significant deficiencies identified that  
are not considered to be material  
weakness(es)?

  X   yes        no

Noncompliance material to financial  
statements noted?

       yes   X   no

**Federal Awards**

Internal control over major programs:

Material weakness(es) identified?

       yes   X   no

Significant deficiencies identified that  
are not considered to be material  
weakness(es)?

       yes   X   none reported

Type of auditors' report issued on  
compliance for major programs:

**Unqualified**

Any audit findings disclosed that are  
required to be reported in accordance  
with section 510(a) of Circular A-133?

       yes   X   no

Identification of major programs:

**CFDA Number(s)**

14.256

**Name of Federal Program or Cluster**

ARRA - Neighborhood Stabilization Program  
(Recovery Act Funded)

**BE A HELPING HAND FOUNDATION**

**Schedule of Findings and Questioned Costs (Continued)**

**For the Year Ended December 31, 2011**

**Section I    Summary of Auditors' Results (continued)**

**Federal Awards (continued)**

Dollar threshold used to distinguish  
between type A and type B programs:

\_\_\_\_\_ \$300,000 \_\_\_\_\_

Auditee qualified as low-risk auditee?

\_\_\_\_\_ yes        X   no

**Section II    Financial Statement Findings**

Finding No. 2011-1

- ***Condition and Criteria:*** The Foundation does not have the expertise on staff to interpret generally accepted accounting principles and identify the risks of misstatement that might be relevant to the risks of preparation of reliable financial statements, including full disclosure in accordance with generally accepted accounting principles.
- ***Context:*** The financial statements prepared by the Foundation contained material misstatements.
- ***Effect:*** The auditors proposed several entries that were material to the financial statements.
- ***Cause:*** Same as above.
- ***Recommendation:*** We recommend that the Foundation hire a part-time bookkeeper with good knowledge of generally accepted accounting principles to help weekly and have a CPA acting as a Controller examine the records monthly or quarterly and have a CPA prepare the annual financial statements and footnotes.
- ***Views of Management:*** Management is currently interviewing for a part-time bookkeeper and did hire a CPA in 2012 to help monthly. Management of the Foundation does not believe it to be cost effective for the Foundation to draft the annual financial report and related notes. The Foundation did closely review, approve, and take responsibility for the annual financial report, but will continue to rely on the auditors to draft all the financial statements and related notes.

## **BE A HELPING HAND FOUNDATION**

### **Schedule of Findings and Questioned Costs (Continued)**

**For the Year Ended December 31, 2011**

#### **Section II Financial Statement Findings (continued)**

Finding No. 2011-2

- ***Criteria and Condition:*** The Foundation needs to strengthen internal controls and procedures related to the segregation of duties.
- ***Context:*** The Foundation has one employee who has custody of receipts and performs all recording-keeping and reconciling functions. This is somewhat mitigated by Board involvement and approval of all significant transactions, including dual signature check signing responsibilities.
- ***Effect:*** There is an increased risk to the Foundation of loss or errors in recording transactions, safeguarding assets, and financial statement reporting.
- ***Cause:*** Same as above.
- ***Recommendation:*** We realize segregation of duties is difficult with one employee. However, we believe some critical procedures could be added with the hiring of a part-time bookkeeper and having a CPA acting as a Controller examine the records monthly or quarterly. We believe the Foundation should review its operating procedures to obtain the maximum internal controls possible under the circumstances.
- ***Views of Management:*** The Foundation will be entering into an agreement with a CPA to perform related services as a Controller, and is currently interviewing bookkeepers for a part-time position to perform all record-keeping and reconciling functions. Management is also in the process of hiring a part-time office employee to assist in office administration and segregation of duties. During the next Board meeting, the Board will discuss the creation of an accounting policies and procedures manual.

#### **Section III Federal Award Findings and Questioned Costs**

No matters were reported.