

HANDS ON NASHVILLE, INC.

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**

DECEMBER 31, 2011 AND 2010

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BELLENFANT + MILES, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statements of financial position of Hands On Nashville, Inc. as of December 31, 2011 and 2010, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. 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 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 that our audits provide 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 Hands On Nashville, Inc. as of December 31, 2011 and 2010, 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.

Bellenfant & Miles, PLLC

April 16, 2012

HANDS ON NASHVILLE, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2011 AND 2010

ASSETS

Current Assets	<u>2011</u>	<u>2010</u>
Cash	\$ 927,084	\$ 981,378
Investments	387,359	-
Unconditional promises to give	32,669	13,880
Prepaid expenses	<u>-</u>	<u>4,714</u>
Total Current Assets	1,347,112	999,972
Equipment and leasehold improvements net of accumulated depreciation	<u>69,107</u>	<u>8,836</u>
Total Assets	<u><u>\$ 1,416,219</u></u>	<u><u>\$ 1,008,808</u></u>

LIABILITIES AND NET ASSETS

Current Liabilities		
Accounts payable and accrued expenses	<u>\$ 16,826</u>	<u>\$ 11,089</u>
Total Current Liabilities	<u>16,826</u>	<u>11,089</u>
Net Assets		
Unrestricted	1,073,439	863,048
Temporarily restricted	<u>325,954</u>	<u>134,671</u>
Total Net Assets	<u>1,399,393</u>	<u>997,719</u>
Total Liabilities and Net Assets	<u><u>\$ 1,416,219</u></u>	<u><u>\$ 1,008,808</u></u>

The accompanying notes and independent auditors' report are an integral part of these statements.

HANDS ON NASHVILLE, INC.

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	2011			2010		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
REVENUE						
Grants	\$ 65,254	\$ -	\$ 65,254	\$ 104,549	\$ -	\$ 104,549
Contributions	2,379,277	325,954	2,705,231	1,873,806	134,671	2,008,477
Special events, net of direct costs	86,948	-	86,948	49,780	-	49,780
Program fees	210,793	-	210,793	215,448	-	215,448
Interest	8,417	-	8,417	2,322	-	2,322
Other	3,600	-	3,600	6,926	-	6,926
Realized/Unrealized Gain on Investments	22,640	-	22,640	-	-	-
Net Assets released from restrictions	134,671	(134,671)	-	3,500	(3,500)	-
Total Revenue	\$ 2,911,600	\$ 191,283	\$ 3,102,883	\$ 2,256,331	\$ 131,171	\$ 2,387,502
EXPENSES						
Program services	2,463,910	-	2,463,910	1,288,368	-	1,288,368
Management and general	157,512	-	157,512	80,268	-	80,268
Fundraising	79,787	-	79,787	64,573	-	64,573
Total Expenses	2,701,209	-	2,701,209	1,433,209	-	1,433,209
CHANGE IN NET ASSETS	210,391	191,283	401,674	823,122	131,171	954,293
Net Assets, beginning of year	863,048	134,671	997,719	39,926	3,500	43,426
Net Assets, end of year	\$ 1,073,439	\$ 325,954	\$ 1,399,393	\$ 863,048	\$ 134,671	\$ 997,719

The accompanying notes and independent auditors' report are an integral part of these statements.

HANDS ON NASHVILLE, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>Program Services</u>		<u>Total</u>	<u>Management</u>		
	<u>Other Programs</u>	<u>Flood Relief</u>	<u>Program Services</u>	<u>and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and benefits	\$ 505,025	\$ 167,980	\$ 673,005	\$ 63,129	\$ 63,129	\$ 799,263
Payroll taxes	41,725	6,914	48,639	5,216	5,216	59,071
Rent	60,413	-	60,413	7,107	3,554	71,074
Postage	2,589	-	2,589	305	152	3,046
Supplies	4,076	-	4,076	1,087	271	5,434
Printing	965	-	965	114	57	1,136
Program supplies	127,253	49,769	177,022	-	-	177,022
Travel	5,097	28,531	33,628	-	-	33,628
Telephone	5,560	-	5,560	1,043	348	6,951
Depreciation	16,686	-	16,686	-	4,171	20,857
Professional fees	-	-	-	72,207	-	72,207
Construction Services	-	659,885	659,885	-	-	659,885
Dues and licenses	4,911	-	4,911	1,310	327	6,548
Insurance	1,508	-	1,508	79	-	1,587
Conferences and meetings	5,007	-	5,007	264	-	5,271
Rebuilding together	-	713,919	713,919	-	-	713,919
Technology	43,559	-	43,559	5,125	2,562	51,246
Meals and entertainment	9,998	-	9,998	526	-	10,524
Other	2,540	-	2,540	-	-	2,540
Total Functional Expenses	<u>\$ 836,912</u>	<u>\$ 1,626,998</u>	<u>\$ 2,463,910</u>	<u>\$ 157,512</u>	<u>\$ 79,787</u>	<u>\$ 2,701,209</u>

The accompanying notes and independent auditors' report are an integral part of these statements.

HANDS ON NASHVILLE, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>Program Services</u>		Total	Management		
	<u>Other Programs</u>	<u>Flood Relief</u>	<u>Program Services</u>	<u>and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and benefits	\$ 388,098	\$ 50,000	\$ 438,098	\$ 54,762	\$ 54,762	\$ 547,622
Payroll taxes	29,887	-	29,887	3,736	3,736	37,359
Rent	47,938	-	47,938	5,640	2,820	56,398
Postage	383	391	774	45	23	842
Supplies	8,315	26,059	34,374	2,351	719	37,444
Program supplies	105,536	25,000	130,536	-	-	130,536
Repairs and maintenance	7,841	-	7,841	-	-	7,841
Travel	3,260	1,362	4,622	-	-	4,622
Telephone	5,297	196	5,493	993	331	6,817
Depreciation	3,326	-	3,326	-	832	4,158
Professional fees	-	46,233	46,233	8,660	-	54,893
Dues and licenses	4,134	-	4,134	1,102	276	5,512
Insurance	794	-	794	42	-	836
Conferences and meetings	7,015	-	7,015	369	-	7,384
Rebuilding together	-	499,253	499,253	-	-	499,253
Technology	8,253	10,000	18,253	2,147	1,074	21,474
Meals and entertainment	7,994	-	7,994	421	-	8,415
Interest	448	-	448	-	-	448
Other	1,355	-	1,355	-	-	1,355
Total Functional Expenses	<u>\$ 629,874</u>	<u>\$ 658,494</u>	<u>\$ 1,288,368</u>	<u>\$ 80,268</u>	<u>\$ 64,573</u>	<u>\$1,433,209</u>

The accompanying notes and independent auditors' report are an integral part of these statements.

HANDS ON NASHVILLE, INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

CASH FLOWS FROM OPERATING ACTIVITIES	<u>2011</u>	<u>2010</u>
Change in Net Assets	\$ 401,674	\$ 954,293
Adjustments to reconcile increase in net assets to net cash from operating activities		
Depreciation	20,857	4,158
Realized/Unrealized gains on investments	(22,640)	-
(Increase) Decrease in:		
Unconditional promises to give	(18,789)	(9,247)
Prepaid expenses	4,714	12,214
Increase (Decrease) in:		
Accounts payable and accrued expenses	<u>5,737</u>	<u>4,471</u>
Net Cash Provided by Operating Activities	<u>391,553</u>	<u>965,889</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment and improvements	(81,128)	(12,994)
Purchase of investments	(400,000)	-
Transfer of investments	38,522	-
Earnings on investments	(5,109)	-
Fees on investments	<u>1,868</u>	<u>-</u>
Net Cash Used by Investing Activities	<u>(445,847)</u>	<u>(12,994)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Additional borrowings	-	30,000
Payments on borrowings	<u>-</u>	<u>(114,699)</u>
Net Cash Used by Financing Activities	<u>-</u>	<u>(84,699)</u>
NET INCREASE (DECREASE) IN CASH	(54,294)	868,196
Cash balance, beginning of year	<u>981,378</u>	<u>113,182</u>
Cash balance, end of year	<u>\$ 927,084</u>	<u>\$ 981,378</u>

Supplemental Information: Interest paid was \$0 and \$448 for the years ended December 31, 2011 and 2010, respectively.

The accompanying notes and independent auditors' report are an integral part of these statements.

HANDS ON NASHVILLE, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2011 AND 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

Organization and Purpose:

Hands on Nashville, Inc. is a not-for-profit organization located in Nashville, Tennessee. The Organization's mission is to be recognized leaders of programs, partnerships and services that maximize volunteer impact in the greater Nashville community.

Basis of Presentation:

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

Revenue is generally recognized when earned. Expenses are generally recognized when incurred.

Financial statement presentation follows the requirements of the Financial Accounting Standards Board (FASB) Accounting Standards Codification Topic related to Presentation of Financial Statements of Not-for-Profit Organizations. Under the FASB Accounting Standards Codification, the Organization is required to report information regarding its financial position and activities according to three classes of net assets; unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or 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 as net assets released from restrictions.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that may be maintained permanently by the Organization. Generally donors of these assets permit the Association to use all or part of the income earned for general or specific purposes. The Organization had no permanently restricted net assets for the years ending December 31, 2011 and 2010, respectively.

The Organization accounts for contributions in accordance with the requirements of the FASB Accounting Standards Codification Revenue Recognition Topic. In accordance with the FASB Accounting Standards Codification, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions.

HANDS ON NASHVILLE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2011 AND 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES - CONTINUED

Contributions and Promises to Give:

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in the unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

No allowance for uncollectible unconditional promises to give is considered necessary, as all amounts are considered collectible.

Cash and Cash Equivalents:

For purposes of the statement of cash flows, the Organization considers all highly liquid debt instruments with original maturities of three months or less to be cash equivalents. Restricted cash represents funds held for an outside party, for which a corresponding liability has been recorded. These amounts are included as cash and cash equivalents in the statements of cash flows.

Equipment and Leasehold Improvements:

The Organization's policy is to record purchased and contributed fixed assets at cost and fair value, respectively. The cost of equipment is depreciated using other accelerated methods over the estimated useful lives of 3-5 years for computer and office equipment and 10 years for leasehold improvements.

Donated Services:

No amounts have been reflected in the financial statements for donated services as no objective basis is available to measure the value of such services. The Organization pays for most services requiring specific expertise. However, the Organization coordinates many individuals who volunteer their time and perform a variety of tasks throughout the Nashville community. During the year ended December 31, 2011, the Organization coordinated efforts of over 224,000 volunteers. This was much higher than previous years due to the flood relief.

HANDS ON NASHVILLE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2011 AND 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES - CONTINUED

Income Taxes:

The Organization is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from income taxes under Section 501(a) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made.

The Organization has evaluated its tax positions in accordance with the Codification Standard relating to Accounting for Uncertainty in Income Taxes. The Organization believes that it has taken no uncertain tax positions.

Use of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported revenues and expenses during the reporting period. Actual results could differ from those estimates.

Concentration of Credit Risk:

Financial instruments that potentially subject the Organization to concentrations of credit risk consist primarily of cash on deposit and unconditional promises to give. The Organization's cash deposits, in a commercial bank located in Nashville, exceeded federally insured amounts. Concentrations of credit risk with respect to unconditional promises to give are limited to corporate donors and foundations in the Nashville area. Cash exceeded \$653,591 over the federally insured amount (\$250,000 at December 31, 2011).

Concentration of Revenues and Support:

Substantially all of the Organization's revenues are donations and special events which are dependent on fundraising efforts.

HANDS ON NASHVILLE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2011 AND 2010

2. INVESTMENTS

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the statement of financial position.

	<u>December 31, 2011</u>	
	<u>Cost</u>	<u>Market</u>
Mutual Equity Funds	\$ 244,661	\$ 266,212
Mutual Bond Funds	120,924	121,147
Total Investments	<u>\$ 365,585</u>	<u>\$ 387,359</u>

Realized and unrealized gains on investments were \$22,640 for the year ended December 31, 2011.

3. FAIR VALUE MEASUREMENTS

The Organization's investments are reported at fair value in the accompanying statement of financial position.

Fair Value Measurements at December 31, 2011 Using:

		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	<u>Fair Value</u>			
Mutual Equity Funds	\$ 266,212	\$ 266,212	\$ -	\$ -
Mutual Bond Funds	121,147	-	121,147	-
	<u>\$ 387,359</u>	<u>\$ 266,212</u>	<u>\$ 121,147</u>	<u>\$ -</u>

The Financial Accounting Standards Board (FASB) Accounting Standards Codification Topic related to Fair Value Measurements, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels:

Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of observable inputs other than quoted process for identical assets, and Level 3 inputs have the lowest priority. The Organization uses the appropriate valuation techniques based on the available inputs to measure the fair value of its investments. Level 3 inputs were only used when Level 1 or Level 2 inputs were not available.

Level 2 Fair Value Measurements - The fair value of the investments are based on inputs other than quoted prices within Level 1 that are observable for the asset, either directly, or indirectly.

Level 3 Fair Value Measurements - The fair value of the investments are based on at least one significant unobservable input.

HANDS ON NASHVILLE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2011 AND 2010

4. EQUIPMENT AND LEASEHOLD IMPROVEMENTS

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

	<u>2011</u>	<u>2010</u>
Computer and office equipment	\$ 120,397	\$ 55,911
Leasehold Improvements	16,643	-
Less: Accumulated depreciation	<u>(67,933)</u>	<u>(47,075)</u>
	<u>\$ 69,107</u>	<u>\$ 8,836</u>

Depreciation expense was \$20,857 and \$4,158 for the years ended December 31, 2011 and 2010, respectively.

5. UNCONDITIONAL PROMISES TO GIVE

As of December 31, 2011, the Organization has unconditional promises to give from corporate and government donors. Unconditional promises to give are expected to be received within the next fiscal year.

6. TEMPORARILY RESTRICTED NET ASSETS

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

	<u>2011</u>	<u>2010</u>
Donations for flood relief	<u>\$ 325,954</u>	<u>\$ 134,671</u>

7. OPERATING LEASES

The Organization has an operating lease for office space that expires December 31, 2012. They also have an additional operating lease for office space that commenced February 1, 2012 and expires February 1, 2022. They also lease office equipment that expires between September 2014 and February 2016. Future minimum rentals under the leases are as follows:

Year Ending	Office <u>Space</u>	Office <u>Equipment</u>	<u>Total</u>
2012	\$ 112,400	\$ 2,806	\$ 115,206
2013	76,690	3,228	79,918
2014	78,994	3,054	82,048
2015	81,360	2,532	83,892
2016	83,806	422	84,228
Thereafter	474,524	-	474,524
	<u>\$ 907,774</u>	<u>\$ 12,042</u>	<u>\$ 919,816</u>

Rent expense was \$71,074 and \$56,398 for the years ended December 31, 2011 and 2010, respectively.

HANDS ON NASHVILLE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2011 AND 2010

8. TAX DEFERRED ANNUITY PLAN

The Organization sponsors a tax deferred annuity plan qualified under section 403(b) of the Internal Revenue Code. The Plan covers full-time employees of the Organization. Contributions to the plan were made in the amount of \$10,715 and \$1,846 for the years ending December 31, 2011 and 2010, respectively.

9. NET ASSETS RELEASED FROM RESTRICTIONS

Net Assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors during the year ended December 31, 2011.

10. FLOOD RELIEF

In May 2010, several counties in Tennessee were affected by flooding and declared to be disaster areas by the federal government. The Organization received significant donations during 2010 and 2011 and continued to be the primary volunteer coordinator for relief efforts.

11. COMPENSATED ABSENCES

Employees of the Organization are entitled to paid vacation days. It is impractical to estimate the amount of compensation for future absences and, accordingly, no liability has been recorded in the accompanying financial statements. The Organization's policy is to recognize the cost of compensated absences when actually paid to employees.

12. SUBSEQUENT EVENTS

Subsequent events have been evaluated through April 16, 2012 which is the date the financial statements were available to be issued.

The Organization moved in February 2012 to new office buildings, signing a ten year lease. See footnote on leases for details. Their lease at old office building does not expire until December 2012.

Donations were still being received in 2012 and expenses were still being paid as the flood relief efforts are ongoing.