HARVEST HANDS COMMUNITY DEVELOPMENT CORPORATION, INC.
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT
YEAR ENDED DECEMBER 31, 2013

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Harvest Hands Community Development Corporation, Inc.

We have audited the accompanying financial statements of Harvest Hands Community Development Corporation, Inc. (a not-for-profit organization), which comprise the statement of financial position as of December 31, 2013, and the related statement of activities and change in net assets and the statement of functional expenses for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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, 2013 and 2012 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

November 14, 2014

HARVEST HANDS COMMUNITY DEVELOPMENT CORPORATION, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2013

ASSETS

Current assets		
Cash and cash equivalents	$	199,895
Accounts receivable		1,738
Pledges receivable		5,606
Total current assets		207,239
Property and equipment, net		543,541
Intangible assets, net		1,520
Total assets	$	752,300

LIABILITIES AND NET ASSETS

Current Liabilities		
Accounts payable	$	1,120
Accrued expenses		5,607
Current portion of notes payable		5,503
Total Current Liabilities		12,230
Long term liabilities		
Notes payable		163,842
Total liabilities		176,072
Net assets		
Unrestricted		576,228
Total liabilities and net assets	$	752,300

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

HARVEST HANDS COMMUNITY DEVELOPMENT CORPORATION, INC.
STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
YEAR ENDED DECEMBER 31, 2013

Revenues and support	
Contributions	$ 374,804
Contributions in kind	193,258
Merchant sales	61,251
Program fees	29,083
Investment income	127
Total revenues and support	658,523
Functional expenses	
Program services	463,917
Supporting services	
Management and general	64,215
Fundraising	38,516
Total functional expenses	566,648
Increase in net assets	91,875
Net assets, beginning of year	484,353
Net assets, end of year	$ 576,228

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, 2013

	Program Services	Management and General	Fundraising	Total
Cost of goods sold	$ 52,846	$ -	$ -	$ 52,846
Payroll	176,351	20,646	29,108	226,105
Payroll taxes	11,186	1,686	2,452	15,324
Contract services	46,244	1,059	-	47,303
Staff development	11,057	1,666	2,423	15,146
Professional services	3,319	9,978	-	13,297
Program expenses	47,333	-	-	47,333
Office expense	16,074	-	-	16,074
Advertising	10,645	192	310	11,147
Utilities	14,424	785	-	15,209
Rent	22,500	9,852	-	32,352
Repairs and maintenance	12,823	2,132	-	14,955
Volunteer expense	12,832	-	-	12,832
Taxes, licenses, and fees	966	5,332	1,527	7,825
Insurance	-	7,829	-	7,829
Interest	9,325	-	-	9,325
Depreciation	9,188	1,396	1,047	11,631
Amortization	320	49	36	405
Benefits	6,474	1,613	1,613	9,700
Miscellaneous	10	-	-	10
	$ 463,917	$ 64,215	$ 38,516	$ 566,648

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

HARVEST HANDS COMMUNITY DEVELOPMENT CORPORATION, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2013

Cash flows from operating activities:	
Decrease in net assets	$ 91,875
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Donated property and equipment	$ (150,200)
Depreciation	11,631
Amortization	405
(Increase) decrease in:	
Accounts receivable	1,343
Pledges receivable	17,033
Increase (decrease) in:	
Accounts payable	(6,112)
Accrued expenses	2,342
Total adjustments	(123,558)
Net cash provided by operating activities	(31,683)
Cash flows from financing activities:	
Principal payments on notes payable	(4,806)
Net cash provided by financing activities	(4,806)
Net decrease in cash	(36,489)
Cash, beginning of year	236,384
Cash, end of year	$ 199,895
Other cash flow disclosures:	
Cash paid during the year for interest	$ 9,325

NOTE 1 - ORGANIZATION AND NATURE OF ACTIVITIES

Harvest Hands Community Development Corporation, Inc. is a nonprofit 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 our community and seeks to provide leadership development along with economic development in the Wedgewood Houston neighborhood as well as 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 our neighborhood.

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; 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.

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 statement 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 fair value when received.

During the year ended December 31, 2013 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 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 June 30, 2014 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, 2011.

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, 2013:

Land and land improvements	$ 294,451
Building and improvements	260,025
Furniture and equipment	33,608
Vehicles	12,000
	600,084
Accumulated Depreciation	(56,543)
	$ 543,541

NOTE 4 - LONG TERM DEBT

Long term debt consists of the following for the Organization at December 31, 2013:

In November of 2012 the Organization borrowed $126,687 from a financial institution. The installment note is due in monthly principal and interest payments of $859 with the final payment becoming due November 2017. The note has an interest rate of 5.25%, and is collateralized by real property located at 432 Wingrove Avenue, Nashville TN 37203.	$	122,931
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.		46,414
		169,345
Less current portion		(5,503)
	$	163,842

The principal maturities of long-term debt at December 3, 2013 are as follows:

2014	$	5,503
2015		5,795
2016		6,102
2017		151,945
	$	169,345

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 $404 for the years ending December 31, 2013.

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 the year ended December 31, 2013.

NOTE 5 - LEASE COMMITMENTS (CONTINUED)

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 expiring on April 30, 2015. Lease expense under this lease amounted to $8,652 for the year ended December 31, 2013.

The minimum lease payments required under the above operating leases as of June 30, 2014 are as follows:

2014	$ 6,978
2015	4,094
2016	1,210
2017	1,210
2018	807
	$ 14,299

NOTE 6 - RELATED PARTY TRANSACTIONS

The Organization occupies a building at 424 Humphreys St., Nashville, Tennessee that was controlled by Brentwood United Methodist Church (BUMC). BUMC did not charge rent to the Organization, therefore, the Organization has recognized an in-kind contribution of $4,500, which is the estimated rental value of the property for 2013 use. BUMC donated the property to the Organization in October of 2013 and the related property value of $129,200 has been recognized as an in kind donation for year ended December 31, 2013.

The Organization owns land at 431 Wingrove Avenue, Nashville, Tennessee that was donated by BUMC in 2013. BUMC donated the property to the Organization in October of 2013 and the related property value of $21,000 has been recognized as an in kind donation for year ended December 31, 2013.

BUMC also paid the salary of the Organization's Executive Director for the year ended December 31, 2013, and that amount has been recognized as an in-kind contribution in the amount of $38,558 for year ended December 31, 2013.

BUMC also donated $103,643 to the Organization during the year ended December 31, 2013.

NOTE 7 - CONCENTRATIONS

Approximately 45% of the Organization’s total support was obtained from BUMC during the year ended December 31, 2013. The current level of the Organization’s operations and program services may be impacted or segments discontinued if the funding does not continue. BUMC donated property that accounted for 23 % of the Organization’s total revenue (See Note 6).

NOTE 8 - SUBSEQUENT EVENTS

In September of 2014, the Organization's board of directors approved the sale of property located at 432 Wingrove Avenue, Nashville, Tennessee. The Organization recognized a gain of $83,054 on the sale, and paid off the mortgage related to that property with the sale proceeds. The carrying amounts of the property was $117,846, and the related mortgage of $120,519 has been relieved.

The Organization has evaluated events and transactions for potential recognition or disclosure through November 14, 2014, the date the financial statements were available to be issued. No subsequent events were identified that were required to be disclosed in the financial statements.