HANDS ON NASHVILLE, INC.

FINANCIAL STATEMENTS

December 31, 2016 and 2015

HANDS ON NASHVILLE, INC.

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FRASIERDEAN
HOWARDCPAs

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of Hands on Nashville, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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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, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Frasier, Dean & Howard, PLLC

Nashville, Tennessee
June 2, 2017

HANDS ON NASHVILLE, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2016 and 2015

	2016	2015
Assets		
Current assets:		
Cash and cash equivalents	$ 219,180	$ 52,872
Investments	447	210,773
Accounts receivable	57,125	67,671
Grants receivable	42,651	110,956
Prepaid expenses	8,121	23,541
Total current assets	327,524	465,813
Equipment and leasehold improvements, net of accumulated depreciation	67,038	74,240
Total assets	$ 394,562	$ 540,053
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	$ 76,426	$ 55,406
Deferred revenue	55,092	29,890
Total current liabilities	131,518	85,296
Net assets:		
Unrestricted	218,044	389,757
Temporarily restricted	45,000	65,000
Total net assets	263,044	454,757
Total liabilities and net assets	$ 394,562	$ 540,053

See accompanying notes.

HANDS ON NASHVILLE, INC.
STATEMENTS OF ACTIVITIES
For the Years Ended December 31, 2016 and 2015

	2016			2015		
	Unrestricted	**Temporarily Restricted**	**Total**	**Unrestricted**	**Temporarily Restricted**	**Total**
Revenue:						
Contributions and grants	$ 709,954	$ 45,000	$ 754,954	$ 818,399	$ 65,000	$ 883,399
Program fees	522,661	-	522,661	488,045	-	488,045
Special events, net of direct costs of $46,076 and $109,378, respectively	155,202	-	155,202	67,940	-	67,940
Rent revenue	5,113	-	5,113	-	-	-
Interest	849	-	849	7,431	-	7,431
Realized/unrealized loss on investments	(7,428)	-	(7,428)	(12,355)	-	(12,355)
Releases of temporarily restricted net assets	65,000	(65,000)	-	-	-	-
Total revenue	1,451,351	(20,000)	1,431,351	1,369,460	65,000	1,434,460
Expenses						
Program services	889,761	-	889,761	1,073,625	-	1,073,625
Management and general	534,933	-	534,933	529,362	-	529,362
Fundraising	198,370	-	198,370	235,667	-	235,667
Total expenses	1,623,064	-	1,623,064	1,838,654	-	1,838,654
Change in net assets	(171,713)	(20,000)	(191,713)	(469,194)	65,000	(404,194)
Net assets, beginning of year	389,757	65,000	454,757	858,951	-	858,951
Net assets, end of year	$ 218,044	$ 45,000	$ 263,044	$ 389,757	$ 65,000	$ 454,757

See accompanying notes.

HANDS ON NASHVILLE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2016

	Program Services	Management and General	Fundraising	Total
Salaries and benefits	$ 419,007	$ 339,512	$ 91,441	$ 849,960
Program expenses (including inkind goods and services of $54,839)	276,013	52,108	54,212	382,333
Rent and utilities	58,770	27,984	27,555	114,309
Payroll taxes	30,850	23,486	5,869	60,205
Professional fees	28,144	11,340	11,110	50,594
Technology	6,911	34,254	2,324	43,489
Travel	27,904	2,518	142	30,564
Meals and entertainment	17,438	2,886	617	20,941
Depreciation	6,028	6,274	-	12,302
Financial transaction fees	-	10,826	23	10,849
Dues and licenses	6,358	3,732	150	10,240
Repairs and Maintenance	1,509	7,815	-	9,324
Telephone	3,322	3,345	1,620	8,287
Conferences and meetings	4,662	2,374	445	7,481
Bad debts	2,498	-	1,400	3,898
Supplies	268	3,139	343	3,750
Insurance	-	2,172	-	2,172
Printing	77	1,043	298	1,418
Marketing	2	6	546	554
Postage	-	119	275	394
Total expenses	$ 889,761	$ 534,933	$ 198,370	$ 1,623,064

See accompanying notes.

HANDS ON NASHVILLE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2015

	Program Services	Management and General	Fundraising	Total
Salaries and benefits	$ 460,775	$ 340,064	$ 186,195	$ 987,034
Program expenses (including inkind goods and services of $61,768)	274,285	-	1,162	275,447
Professional fees	176,110	15,279	70	191,459
Rent and utilities	53,428	37,881	21,169	112,478
Payroll taxes	35,223	25,481	14,239	74,943
Technology	223	56,876	129	57,228
Depreciation	26,052	13,638	-	39,690
Conferences and meetings	14,473	5,067	284	19,824
Repairs and maintenance	6,607	4,780	2,671	14,058
Meals and entertainment	7,421	4,200	951	12,572
Dues and licenses	3,314	6,751	180	10,245
Insurance	4,689	3,392	1,895	9,976
Travel	6,860	179	51	7,090
Telephone	3,278	2,372	1,325	6,975
Other	-	831	5,000	5,831
Marketing	-	5,027	40	5,067
Financial transaction fees	-	4,030	-	4,030
Supplies	336	2,814	277	3,427
Postage	-	621	29	650
Printing	551	79	-	630
Total expenses	$ 1,073,625	$ 529,362	$ 235,667	$ 1,838,654

See accompanying notes.

HANDS ON NASHVILLE, INC.
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2016 and 2015

	2016	2015
Cash flows from operating activities:		
Change in net assets	$ (191,713)	$ (404,194)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	12,302	39,690
Realized/unrealized losses on investments	7,428	12,355
Donated equipment	(1,200)	-
Change in operating assets and liabilities:		
Accounts receivable	10,546	8,619
Grants receivable	68,305	(110,956)
Prepaid expenses	15,420	(23,541)
Accounts payable and accrued expenses	21,020	36,033
Deferred revenue	25,202	22,790
Net cash used in operating activities	(32,690)	(419,204)
Cash flows from investing activities:		
Purchase of equipment	(3,900)	(24,527)
Purchase of investments	(1,752)	(70,781)
Proceeds from sale of investments	204,650	494,980
Net cash provided by investing activities	198,998	399,672
Net increase (decrease) in cash and cash equivalents	166,308	(19,532)
Cash and cash equivalents, beginning of year	52,872	72,404
Cash and cash equivalents, end of year	$ 219,180	$ 52,872
Supplemental disclosure of noncash investing and financing activities:		
Donated equipment	$ 1,200	$ -

See accompanying notes.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

Organization and Purpose

Hands on Nashville, Inc. (the "Organization") is a not-for-profit organization located in Nashville, Tennessee that works to address critical issues facing the Middle Tennessee community through volunteer-centric programming. Annually, the Organization connects thousands of volunteers to service opportunities supporting area not-for-profits as well as its programs in urban agriculture, home energy savings, youth leadership development and support of public education. The Organization receives support from state and federal agencies, individual donors and foundations, and through fundraising events. Revenues are earned from program fees for corporate project management and not-for-profit partner fees.

Basis of Presentation

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

Financial statement presentation follows the requirements of the Financial Accounting Standards Board Accounting Standards Codification ("FASB ASC"). Under FASB ASC, 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 statements of activities as net assets released from restrictions.
>
> *Permanently restricted net assets* – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally donors of these assets permit the Organization to use all or part of the income earned for general or specific purposes. The Organization had no permanently restricted net assets at December 31, 2016 and 2015.

The Organization accounts for contributions in accordance with the FASB ASC, which requires contributions received to be recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions.

NOTE 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 are met 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 at December 31, 2016 and 2015.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization considers all cash funds, cash bank accounts and highly liquid debt instruments with an original maturity when purchased of three months or less to be cash and cash equivalents.

Investments

Investments are valued at their fair market values in the statements of financial position. Unrealized gains and losses as well as appreciation or depreciation in market value are reflected in the accompanying statements of activities.

Accounts and Grants Receivable

Accounts receivable represents program fees that have been billed but not collected as of the date of the accompanying financial statements. Grant revenues are recognized when qualified reimbursable expenses are incurred or when services are performed. Grant funds received in advance are recognized as deferred grant revenue until earned. Grant receivables represent amounts due from grants which have been earned but not received. All grant receivables are reported at estimated collectible amounts.

As of December 31, 2016 and 2015, management believes that all accounts receivable are fully collectible. Therefore, no allowance for doubtful accounts is recorded in the accompanying financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (Continued)

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 the straight line method over the estimated useful lives of 3-5 years for computers, office equipment and vehicles, and 10-15 years for leasehold improvements.

Donated Materials and Services

Donated materials and equipment, if any, are reflected as contributions in the accompanying financial statements at their estimated values at date of receipt. Donated services are recognized as revenues at their estimated fair value only when they create or enhance nonfinancial assets or they require specialized skill which would need to be purchased if they were not donated. The total amount of donated services recognized in 2016 and 2015 were $47,463 and $21,750, respectively. The Organization coordinates many individuals who volunteer their time and perform a variety of tasks throughout the Nashville community. During the years ended December 31, 2016 and 2015, the Organization coordinated efforts of over 335,000 and 397,000 volunteer hours, respectively.

Allocated Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among program and supporting services based on estimates by management.

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.

Income Taxes

The Organization is exempt from income taxes under section 501(c)(3) of the Internal Revenue Code and is not a private foundation. Accordingly, no provision for income taxes has been made.

The Organization follows guidance concerning the accounting for income taxes recognized in an entity's financial statements. This guidance prescribes a minimum probability threshold that a tax position must

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (Continued)

Income Taxes (Continued)

meet before a financial statement benefit is recognized. The minimum threshold is defined as a tax position that is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The tax benefit to be recognized is measured as the largest amount of benefit that is greater than fifty percent likely of being realized upon ultimate settlement. The Organization does not believe there are any uncertain tax positions at December 31, 2016 and 2015. Additionally, the Organization has not recognized any tax related interest and penalties in the accompanying financial statements.

Concentrations

Financial instruments that potentially subject the Organization to concentrations of credit risk consist primarily of cash on deposit and accounts and grants receivable. Cash and cash equivalents are primarily held in bank accounts that, at times, exceed federally-insured amounts. Concentrations of credit risk with respect to accounts and grant receivables are limited to corporate donors and foundations in the Nashville area.

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

NOTE 2 – INVESTMENTS

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the statements of financial position. Financial accounting standards relating to fair value measurements establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;

NOTE 2 – INVESTMENTS (Continued)

- Inputs that are derived principally from or corroborated by the observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and reflect an entity's own assumptions about the assumptions that market participants would use in pricing the assets or liabilities.

An asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques should maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value on a recurring basis:

Investments in securities - Where quoted prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities include highly liquid government securities and certain other products, such as mutual funds. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows and are classified within Level 2 of the valuation hierarchy. In certain cases where there is limited activity, or less transparency around inputs to the valuation, securities are classified within Level 3 of the valuation hierarchy.

No changes in the valuation methodologies have been made during the years ended December 31, 2016 and 2015.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with that of other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in different fair value measurements at the reporting date.

The Organization's investments are reported at fair value in the accompanying statements of financial position. Such investments are considered to be Level 1 investments as the fair value is based on quoted prices in active markets for identical assets, as measured on a recurring basis.

NOTE 2 – INVESTMENTS (Continued)

Investments in equity securities are as follows at December 31:

	2016	2015
Mutual equity funds	$ 447	$ 62,623
Mutual bond funds	-	148,150
Total investments	$ 447	$ 210,773

NOTE 3 – GRANTS RECEIVABLE

As of December 31, 2016 and 2015, the Organization has receivables from corporate and government donors. Such receivables are expected to be received within the next fiscal year and as such are reflected as current assets.

NOTE 4 – EQUIPMENT AND LEASEHOLD IMPROVEMENTS

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

	2016	2015
Computer and office equipment	$ 168,628	$ 167,258
Leasehold improvements	80,246	80,246
Vehicles	57,259	57,259
Less: Accumulated depreciation	(239,095)	(230,523)
	$ 67,038	$ 74,240

NOTE 5 – 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 $3,602 and $7,326 for the years ended December 31, 2016 and 2015, respectively.

NOTE 6 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are restricted for the following purposes and/or time periods at December 31:

	2016	2015
Home Energy Savings program in 2017	$ 44,000	$ -
Strobel Awards 2017	1,000	-
Operational support in 2016	-	40,000
Home Energy Savings program in 2016	-	15,000
Crop City program in 2016	-	10,000
Total	$ 45,000	$ 65,000

NOTE 7 – OPERATING LEASES

The Organization has an operating lease for office space that expires February 28, 2022. Rent expense was $104,278 and $82,821, for the years ended December 31, 2016 and 2015, respectively.

Future minimum rentals under the lease are as follows for the years ending December 31:

2017	$ 106,373
2018	108,966
2019	111,636
2020	114,387
2021	117,220
Thereafter	15,528
	$ 574,110

During 2016, Organization entered into an arrangement with a third party to sublease office space that expires November 14, 2021. Rent revenue under this agreement was $5,113 for the year ended December 31, 2016.

Future minimum rental revenues under the sublease are as follows for the years ending December 31:

2017	$ 21,209
2018	21,599
2019	22,110
2020	22,638
2021	20,262
	$ 107,818

NOTE 8 – SUBSEQUENT EVENTS

The Organization evaluated subsequent events through June 2, 2017, when these financial statements were available to be issued. Management of the Organization is not aware of any significant events that occurred subsequent to the statement of financial position date but prior to the filing of this report that would have a material impact on the financial statements.