

BOTH HANDS FOUNDATION

**FINANCIAL STATEMENTS &
INDEPENDENT AUDITORS' REPORT**

DECEMBER 31, 2018 AND 2017

BOTH HANDS FOUNDATION

TABLE OF CONTENTS

| | |
|--|--------|
| Independent Auditors' Report | 1 - 2 |
| Financial Statements as of December 31, 2018 and 2017 and for the Years then ended: | |
| Statements of Financial Position | 3 |
| Statements of Activities | 4 - 5 |
| Statements of Functional Expenses..... | 6 - 7 |
| Statements of Cash Flows | 8 |
| Notes to Financial Statements..... | 9 - 12 |

MULLINS CLEMMONS & MAYES, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Both Hands Foundation:

We have audited the accompanying financial statements of Both Hands Foundation (a nonprofit organization), which comprise the statements of financial position as of December 31, 2018 and 2017, 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 of 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Both Hands Foundation as of December 31, 2018 and 2017, 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.

Mullins Clemmons + Mayes, PLLC

Brentwood, Tennessee

May 31, 2019

BOTH HANDS FOUNDATION**STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2018 AND 2017**

| <u>ASSETS</u> | <u>2018</u> | <u>2017</u> |
|-----------------------------------|-------------------|-------------------|
| CURRENT ASSETS: | | |
| Cash and cash equivalents | \$ 878,559 | \$ 778,088 |
| Total current assets | <u>878,559</u> | <u>778,088</u> |
| PROPERTY AND EQUIPMENT: | | |
| Automobile | 24,292 | 13,500 |
| Furniture and fixtures | 812 | 606 |
| Computers and equipment | 10,163 | 8,526 |
| Total cost | <u>35,267</u> | <u>22,632</u> |
| Less accumulated depreciation | <u>(6,347)</u> | <u>(11,547)</u> |
| Property and equipment, net | <u>28,920</u> | <u>11,085</u> |
| TOTAL ASSETS | <u>\$ 907,479</u> | <u>\$ 789,173</u> |
| <u>LIABILITIES AND NET ASSETS</u> | | |
| CURRENT LIABILITIES: | | |
| Accounts payable | \$ 414 | \$ 1,660 |
| Accrued liabilities | <u>1,048</u> | <u>2,451</u> |
| Total current liabilities | <u>1,462</u> | <u>4,111</u> |
| NET ASSETS: | | |
| Without donor restrictions | 478,403 | 381,143 |
| With donor restrictions | <u>427,614</u> | <u>403,919</u> |
| Total net assets | <u>906,017</u> | <u>785,062</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$ 907,479</u> | <u>\$ 789,173</u> |

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

BOTH HANDS FOUNDATION**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018**

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|---------------------------------------|------------------------------------|-------------------|
| SUPPORT AND REVENUES: | | | |
| Contributions | \$ 535,413 | \$ 1,038,631 | \$ 1,574,044 |
| In-kind donations | 138,622 | - | 138,622 |
| Other unrestricted revenues | 4,164 | - | 4,164 |
| Interest | 3,516 | - | 3,516 |
| Gain on sale of asset | 242 | - | 242 |
| Net assets released from restrictions | 1,014,936 | (1,014,936) | - |
| Total support, revenues and reclassifications | <u>1,696,893</u> | <u>23,695</u> | <u>1,720,588</u> |
| EXPENSES: | | | |
| Program services | 1,281,923 | - | 1,281,923 |
| General and administrative | 127,467 | - | 127,467 |
| Development and fundraising | 190,243 | - | 190,243 |
| Total expenses | <u>1,599,633</u> | <u>-</u> | <u>1,599,633</u> |
| NET CHANGE IN NET ASSETS | 97,260 | 23,695 | 120,955 |
| NET ASSETS, BEGINNING | <u>381,143</u> | <u>403,919</u> | <u>785,062</u> |
| NET ASSETS, ENDING | <u>\$ 478,403</u> | <u>\$ 427,614</u> | <u>\$ 906,017</u> |

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

BOTH HANDS FOUNDATION**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017**

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|---------------------------------------|------------------------------------|---------------------------------|
| SUPPORT AND REVENUES: | | | |
| Contributions | \$ 476,305 | \$ 766,989 | \$ 1,243,294 |
| In-kind donations | 72,927 | - | 72,927 |
| Other unrestricted revenues | 20,189 | - | 20,189 |
| Interest | 1,158 | - | 1,158 |
| Net assets released from restrictions | 710,460 | (710,460) | - |
| Total support, revenues and reclassifications | <u>1,281,039</u> | <u>56,529</u> | <u>1,337,568</u> |
| EXPENSES: | | | |
| Program services | 887,650 | - | 887,650 |
| General and administrative | 178,914 | - | 178,914 |
| Development and fundraising | 171,561 | - | 171,561 |
| Total expenses | <u>1,238,125</u> | <u>-</u> | <u>1,238,125</u> |
| NET CHANGE IN NET ASSETS | 42,914 | 56,529 | 99,443 |
| NET ASSETS, BEGINNING | <u>338,229</u> | <u>347,390</u> | <u>685,619</u> |
| NET ASSETS, ENDING | <u><u>\$ 381,143</u></u> | <u><u>\$ 403,919</u></u> | <u><u>\$ 785,062</u></u> |

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

BOTH HANDS FOUNDATION**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018**

| | Program Services | Supporting Services | | |
|--|--|---------------------------------------|--|---------------------------|
| | Widow and Orphan Projects | Management and General | Development and Fundraising | Total Expenses |
| Salaries | \$ 79,065 | \$ 65,976 | \$ 110,335 | \$ 255,376 |
| Employee benefits | 5,560 | 4,985 | 7,188 | 17,733 |
| Payroll taxes | 6,401 | 5,379 | 8,867 | 20,647 |
| Total personnel costs | 91,026 | 76,340 | 126,390 | 293,756 |
| Legal and professional | - | 27,370 | - | 27,370 |
| Dues and memberships | - | 1,869 | - | 1,869 |
| Postage and printing | 1,963 | 1,349 | 8,956 | 12,268 |
| Administrative expenses | 4,669 | 2,668 | 2,801 | 10,138 |
| Fundraising | - | - | 2,253 | 2,253 |
| Processing fees | 11,834 | 72 | 2,438 | 14,344 |
| Automobile | 1,807 | 1,205 | 3,012 | 6,024 |
| Dining and entertainment | 1,004 | 669 | 1,674 | 3,347 |
| Donor development | - | - | 7,016 | 7,016 |
| Education | - | 1,270 | - | 1,270 |
| Taxes | - | 260 | - | 260 |
| Occupancy | 4,190 | 2,793 | 6,983 | 13,966 |
| Gifts given | 73 | 2,275 | 73 | 2,421 |
| Insurance | 2,344 | 670 | 335 | 3,349 |
| Marketing | 13,231 | 615 | 16,924 | 30,770 |
| Website and information technology | 4,265 | 1,422 | 1,422 | 7,109 |
| Travel | 4,505 | 3,003 | 7,508 | 15,016 |
| Book public relations | - | 2,767 | - | 2,767 |
| Support provided to adopting families | 1,015,536 | - | - | 1,015,536 |
| Donations to other ministries | 1,251 | - | - | 1,251 |
| Building and repair supplies | 122,951 | - | 333 | 123,284 |
| Total expenses before depreciation and other expenses | 1,280,649 | 126,617 | 188,118 | 1,595,384 |
| Depreciation | 1,274 | 850 | 2,125 | 4,249 |
| Total expenses | <u>\$ 1,281,923</u> | <u>\$ 127,467</u> | <u>\$ 190,243</u> | <u>\$ 1,599,633</u> |

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

BOTH HANDS FOUNDATION**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017**

| | Program Services | Supporting Services | | |
|--|--|---------------------------------------|--|---------------------------|
| | Widow and Orphan Projects | Management and General | Development and Fundraising | Total Expenses |
| Salaries | \$ 74,456 | \$ 66,736 | \$ 101,075 | \$ 242,267 |
| Employee benefits | 3,646 | 3,432 | 4,562 | 11,640 |
| Payroll taxes | 5,888 | 5,296 | 7,985 | 19,169 |
| Total personnel costs | 83,990 | 75,464 | 113,622 | 273,076 |
| Legal and professional | - | 21,300 | - | 21,300 |
| Dues and memberships | - | 2,714 | - | 2,714 |
| Postage and printing | 1,824 | 3,649 | 12,771 | 18,244 |
| Administrative expenses | 4,690 | 16,484 | 2,633 | 23,807 |
| Fundraising | - | - | 4,887 | 4,887 |
| Processing fees | 7,921 | 396 | 1,584 | 9,901 |
| Automobile | 2,598 | 1,732 | 4,330 | 8,660 |
| Dining and entertainment | 1,160 | 773 | 1,933 | 3,866 |
| Donor development | - | - | 6,576 | 6,576 |
| Education | - | 605 | - | 605 |
| Taxes | - | 260 | - | 260 |
| Occupancy | 4,125 | 2,750 | 6,875 | 13,750 |
| Gifts given | - | 1,215 | 38 | 1,253 |
| Insurance | 1,452 | 415 | 207 | 2,074 |
| Marketing | 5,013 | 1,253 | 6,267 | 12,533 |
| Website and information technology | 5,021 | 1,674 | 1,674 | 8,369 |
| Travel | 4,584 | 3,056 | 7,640 | 15,280 |
| Book public relations | - | 44,364 | - | 44,364 |
| Support provided to adopting families | 710,760 | - | - | 710,760 |
| Donations to other ministries | 1,101 | - | - | 1,101 |
| Building and repair supplies | 50,578 | - | 119 | 50,697 |
| Total expenses before depreciation and other expenses | 884,817 | 178,104 | 171,156 | 1,234,077 |
| Depreciation | 2,833 | 810 | 405 | 4,048 |
| Total expenses | \$ 887,650 | \$ 178,914 | \$ 171,561 | \$ 1,238,125 |

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

BOTH HANDS FOUNDATION**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

| | <u>2018</u> | <u>2017</u> |
|--|---------------------------------|---------------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net change in net assets | \$ 120,955 | \$ 99,443 |
| Adjustments to reconcile net change in net assets to net cash provided by operating activities: | | |
| Depreciation | 4,249 | 4,048 |
| Gain on sale of auto | (242) | - |
| Net changes in other operating assets and liabilities: | | |
| Capitalized book publication costs | - | 26,559 |
| Accounts payable and accrued liabilities | (2,649) | 3,684 |
| Net cash provided by operating activities | <u>122,313</u> | <u>133,734</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Purchases of property and equipment | <u>(21,842)</u> | <u>(4,630)</u> |
| Net cash used in investing activities | <u>(21,842)</u> | <u>(4,630)</u> |
| NET CHANGE IN CASH AND CASH EQUIVALENTS | 100,471 | 129,104 |
| CASH AND CASH EQUIVALENTS, BEGINNING | <u>778,088</u> | <u>648,984</u> |
| CASH AND CASH EQUIVALENTS, ENDING | <u><u>\$ 878,559</u></u> | <u><u>\$ 778,088</u></u> |

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

BOTH HANDS FOUNDATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018 AND 2017

NOTE 1 – THE ENTITY

Both Hands Foundation (the "Foundation") was incorporated under the Tennessee Nonprofit Corporation Act on January 31, 2008. The Foundation, a religious corporation, is qualified as a tax-exempt organization under section 501(c)(3) of the Internal Revenue Code. The purpose of the Foundation, as stated in its mission statement, is to serve widows, orphans and Christian adoptive families by helping Christian adoptive families fund their adoptions by coordinating service projects to provide repairs and maintenance to the homes of widows. The Foundation is located in Nashville, Tennessee.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting Periods - All references to 2018 and 2017 in these financial statements refer to the years ended December 31, 2018 and December 31, 2017, respectively, unless otherwise noted.

Basis of Accounting - The Foundation uses the accrual basis of accounting; therefore, revenue is recognized when earned and expenses are recognized when incurred. Gifts are considered available for unrestricted use unless specifically restricted by the donor.

Financial Statement Presentation

The financial statements of the Foundation have been prepared in accordance with U.S. generally accepted accounting principles ("US GAAP"). The Foundation is required to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions – Net assets not subject to any donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Foundation. These net assets may be used at the discretion of the Foundation's management and the Board of Directors.

Net assets with donor restrictions – Net assets whose use by the Foundation is subject to donor-imposed restrictions. Some donor restrictions are temporary in nature; those restrictions will be fulfilled by actions of the Foundation pursuant to those restrictions or by the passage of time. Other donor restrictions may be perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. As of December 31, 2018 and 2017, the Foundation had no perpetual restrictions on net assets.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities as net assets released from restrictions.

Cash and Cash Equivalents - Cash and cash equivalents consist of cash on hand, cash in various bank accounts, and all highly liquid investments with an original maturity of three months or less. The Foundation may, at times, maintain bank accounts whose balances exceed federally insured limits. However, the Foundation has not experienced any losses in such accounts, and believes it is not exposed to any significant credit risk related to cash and cash equivalents.

BOTH HANDS FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED) DECEMBER 31, 2018 AND 2017

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment - Expenditures for additions, major renewals and betterment of property and equipment are capitalized and recorded at cost. The fair value of donated property and equipment is similarly capitalized. Expenditures for maintenance and repairs are charged to expense as incurred. Depreciation is computed by using the straight-line method over the estimated useful lives of the assets.

Donated Materials and Services - Donated materials, services and use of facilities are recognized as contributions at their estimated fair values at date of receipt. The Foundation operates out of facilities donated by a member of the Board of Directors. The Foundation also received donated accounting services in the amount of \$12,000 for 2018 and 2017. The total value of donated facilities, services and goods meeting the requirements for recognition in the financial statements was \$138,622 and \$71,777 for the years ending December 31, 2018 and 2017, respectively.

Income Taxes - As mentioned in Note 1, the Foundation is a tax-exempt organization; accordingly, no provision for income taxes is included in the accompanying financial statements.

The Foundation files an annual information return (Form 990) with the U.S. government. At December 31, 2018, the Foundation is no longer subject to U.S. tax examinations of these information returns by tax authorities for years before December 31, 2015.

Advertising Costs - Advertising costs, which also include marketing and development, are expensed as incurred. Advertising costs were \$29,390 and \$12,533 for the years ended December 31, 2018 and 2017, respectively.

Estimates - The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Change in Accounting Principle

In August 2016, the Financial Accounting Standards Board issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities* (the "ASU"). The ASU addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Foundation has implemented ASU 2016-14 and has adjusted the presentation in these financial statements accordingly. The ASU has been applied retrospectively to all periods presented.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. See Note 6 for further details.

BOTH HANDS FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED) DECEMBER 31, 2018 AND 2017

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Events Occurring after Reporting Date – Management has evaluated events and transactions that occurred through May 31, 2019, which is the date that the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

Reclassifications – Certain prior year amounts have been reclassified to conform to the current year presentation.

NOTE 3 – AVAILABILITY AND LIQUIDITY

The Foundation receives significant contributions with donor restrictions to be used in accordance with the associated purpose restrictions. In addition, the Foundation receives support without donor restrictions. Support without donor restrictions has historically represented approximately 118% of annual general funding needs.

The Foundation considers contributions without donor restrictions and contributions with donor restrictions for use in current programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. General expenditures include administrative and general expenses, fundraising expenses and building supplies expected to be paid in the subsequent year. Annual operations are defined as activities occurring during the Foundation's fiscal year.

The Foundation manages its cash available to meet general expenditures following two guiding principles:

- Operating within a prudent range of financial soundness and stability,
- Maintaining adequate liquid assets

The following presents financial assets available for general expenditures within one year at December 31, 2018:

| | <u>2018</u> |
|---|--------------------------|
| Financial assets at year end: | |
| Cash and cash equivalents | \$ 878,559 |
| Total financial assets | <u>878,559</u> |
| Less amounts not available to be used within one year: | |
| Net assets with donor restrictions | <u>(427,614)</u> |
| Financial assets not available to be used within one year | <u>(427,614)</u> |
| Financial assets available to meet general expenditures within one year | <u><u>\$ 450,945</u></u> |

BOTH HANDS FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED) DECEMBER 31, 2018 AND 2017

NOTE 4 – NET ASSETS

Donor restricted net assets consist entirely of contributions for adoption assistance. Once the donor restricted contributions are used for adoption assistance, they are reported as net assets released from restrictions in the statements of activities. Net assets released from restrictions totaled \$1,014,936 and \$710,460 for the years ending December 31, 2018 and 2017, respectively.

NOTE 5 – EMPLOYEE BENEFIT PLAN

The Foundation maintains a SIMPLE IRA plan (the Plan) for the benefit of its employees. Eligible employees may voluntarily contribute from their earnings to the Plan, up to the maximum contribution allowed by the IRS. Employer contributions are discretionary and are determined and authorized by the Board of Directors each plan year. The Foundation's contributions to the plan for the years ending December 31, 2018 and 2017 were \$3,230 and \$1,928, respectively.

NOTE 6 - FUNCTIONALIZED EXPENSES

The financial statements report certain categories of expenses which are attributable to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis which is consistently applied. The expenses which are allocated include occupancy, which is allocated on a square footage basis, as well as salaries, benefits and payroll taxes, postage and printing, administrative expenses, processing fees, automobile, dining, gifts, insurance, marketing, information technology, travel and depreciation, which are allocated on the basis of estimated time and effort.