

HANDS AND FEET PROJECT, INC.

FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

TOGETHER WITH INDEPENDENT ACCOUNTANT'S REVIEW REPORTS

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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

Board of Trustees
Hands and Feet Project, Inc.
Ashland, Kentucky

We have reviewed the accompanying financial statements of the Hands and Feet Project, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2015 and 2014, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Organization management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 the financial statements that are free from material misstatement whether due to fraud or error.

Accountant's Responsibility

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

Kelley Galloway Smith Goolsby, PSC

Ashland, Kentucky
January 12, 2017

HANDS AND FEET PROJECT, INC.

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2015 AND 2014

ASSETS:	2015	2014
Cash and cash equivalents	\$ 569,928	\$ 668,168
Pledges receivable	-	13,979
Total current assets	569,928	682,147
Construction-in-progress	587,226	506,736
Property and equipment, net	2,129,808	1,823,907
Total assets	\$ 3,286,962	\$ 3,012,790
LIABILITIES:		
Accounts payable	\$ 41,588	\$ 9,888
Total liabilities	41,588	9,888
NET ASSETS:		
Unrestricted	(199,627)	105,865
Unrestricted - Investment in Capital Assets	2,717,034	2,330,643
Unrestricted - Board Designated Funds	360,417	254,654
Temporarily Restricted	367,550	311,740
Total net assets	3,245,374	3,002,902
Total liabilities and net assets	\$ 3,286,962	\$ 3,012,790

See accompanying notes to financial statements and
independent accountant's review report.

HANDS AND FEET PROJECT, INC.

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015		
	Unrestricted	Temporarily Restricted	Total
REVENUES:			
Sponsorships	\$ 725,418	\$ -	\$ 725,418
Contributions	515,743	367,550	883,293
Other contributions and gifts in kind	487,473	-	487,473
Sales, net of cost	26,328	-	26,328
Mission trip revenue	412,733	-	412,733
Interest income	132	-	132
Total unrestricted support and revenue	<u>2,167,827</u>	<u>367,550</u>	<u>2,535,377</u>
Net assets released from temporary restrictions, satisfaction of program activities	<u>311,740</u>	<u>(311,740)</u>	<u>-</u>
Total revenue	<u>2,479,567</u>	<u>55,810</u>	<u>2,535,377</u>
EXPENSES:			
Program expenses -			
Mission trips	431,086	-	431,086
Orphan care	1,292,256	-	1,292,256
Haiti Made	233,785	-	233,785
Other program related	61,758	-	61,758
Total program related	<u>2,018,885</u>	<u>-</u>	<u>2,018,885</u>
Supporting Services -			
Management and general	193,771	-	193,771
Fundraising	80,249	-	80,249
Total supporting services	<u>274,020</u>	<u>-</u>	<u>274,020</u>
Total expenses	<u>2,292,905</u>	<u>-</u>	<u>2,292,905</u>
INCREASE IN NET ASSETS	<u>186,662</u>	<u>55,810</u>	<u>242,472</u>
NET ASSETS AT BEGINNING OF YEAR	<u>2,691,162</u>	<u>311,740</u>	<u>3,002,902</u>
NET ASSETS AT END OF YEAR	<u>\$ 2,877,824</u>	<u>\$ 367,550</u>	<u>\$ 3,245,374</u>

See accompanying notes to financial statements and independent accountant's review report.

HANDS AND FEET PROJECT, INC.

STATEMENTS OF ACTIVITIES (CONCLUDED)

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	2014		
	Unrestricted	Temporarily Restricted	Total
REVENUES:			
Sponsorships	\$ 686,682	\$ -	\$ 686,682
Contributions	-	686,336	686,336
Other contributions and gifts in kind	525,363	-	525,363
Sales, net of cost	88,829	-	88,829
Mission trip revenue	563,702	-	563,702
Interest income	358	-	358
Total unrestricted support and revenue	1,864,934	686,336	2,551,270
Net assets released from temporary restrictions, satisfaction of program activities	374,596	(374,596)	-
Total revenue	2,239,530	311,740	2,551,270
EXPENSES:			
Program expenses -			
Mission trips	415,560	-	415,560
Orphan care	1,153,502	-	1,153,502
Haiti Made	112,723	-	112,723
Other program related	67,046	-	67,046
Total program related	1,748,831	-	1,748,831
Supporting Services -			
Management and general	182,126	-	182,126
Fundraising	100,587	-	100,587
Total supporting services	282,713	-	282,713
Total expenses	2,031,544	-	2,031,544
INCREASE IN NET ASSETS	207,986	311,740	519,726
NET ASSETS AT BEGINNING OF YEAR	2,483,176	-	2,483,176
NET ASSETS AT END OF YEAR	\$ 2,691,162	\$ 311,740	\$ 3,002,902

See accompanying notes to financial statements and
independent accountant's review report.

HANDS AND FEET PROJECT, INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase in net assets	\$ 242,472	\$ 519,726
Adjustments to reconcile net income to net cash provided by operating activities -		
Depreciation	123,840	98,162
Changes in assets and liabilities -		
Decrease (increase) in pledges receivable	13,979	(13,979)
Increase (decrease) in accounts payable	<u>31,700</u>	<u>(3,646)</u>
Net cash provided by operating activities	<u>411,991</u>	<u>600,263</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	<u>(510,231)</u>	<u>(955,911)</u>
Net cash used in investing activities	<u>(510,231)</u>	<u>(955,911)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(98,240)	(355,648)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>668,168</u>	<u>1,023,816</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 569,928</u>	<u>\$ 668,168</u>

See accompanying notes to financial statements and
independent accountant's review report.

HANDS AND FEET PROJECT, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015					Total Functional Expenses
	Program Services		Supporting Services		Total	
Mission Trips	Orphan Care	Haiti Made	Other Program	Total Program		Management and General
Employee Compensation:						
Salaries and wages	\$ 416,682	\$ 74,802	\$ -	\$ 550,005	\$ 33,572	\$ 17,599
Payroll taxes and employee benefits	29,709	19,970	-	68,804	5,625	-
Total employee compensation	446,391	94,772	-	618,809	39,197	17,599
Other Expenses:						
Food	186,338	-	-	186,338	-	-
Staff	28,358	-	-	28,358	-	-
Supplies	91,315	35,399	-	132,801	8,445	-
Utilities	72,957	-	-	72,957	-	-
Maintenance	49,425	-	-	49,425	-	-
Auto	42,207	-	-	42,207	-	-
Communications	12,303	1,248	-	13,551	6,091	-
Medical	14,855	-	-	14,855	-	-
School	58,231	-	-	58,231	-	-
Benevolence	25,183	-	-	25,183	2,946	-
Licenses and registration	32,382	18	-	32,400	1,654	-
Events and recreation	9,790	-	-	9,790	-	-
Travel	29,769	14,647	12,474	317,651	20,413	1,200
Haiti expenses	-	-	-	42,473	-	-
Transaction and bank fees	125	582	-	707	19,487	-
Occupancy	-	-	-	-	25,400	-
Professional services	3,000	24,677	22,433	50,110	8,175	35,000
Dues and subscriptions	-	25	-	426	22,270	1,275
Postage and shipping	-	9,691	-	10,101	4,384	-
Insurance	-	-	-	-	2,083	-
Promotion and marketing	-	31,000	2,500	33,500	10,915	24,650
Other expenses	67,680	21,726	24,351	157,065	20,418	525
Expenses before depreciation	1,170,309	233,785	61,758	1,896,938	191,878	80,249
Depreciation	121,947	-	-	121,947	1,893	-
Total functional expenses	\$ 1,292,256	\$ 233,785	\$ 61,758	\$ 2,018,885	\$ 193,771	\$ 80,249
	\$ 431,086			\$ 2,292,905		\$ 2,292,905

See accompanying notes to financial statements and independent accountant's review report.

HANDS AND FEET PROJECT, INC.
STATEMENTS OF FUNCTIONAL EXPENSES (CONCLUDED)
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

2014

	Program Services			Supporting Services		Total Functional Expenses	
	Mission Trips	Orphan Care	Haiti Made	Other Program	Total Program		Management and General
Employee Compensation:							
Salaries and wages	\$ 40,772	\$ 339,655	\$ 3,000	\$ 7,552	\$ 390,979	\$ 63,923	\$ 26,222
Payroll taxes and employee benefits	-	37,316	2,800	2,241	42,357	9,929	3,016
Total employee compensation	40,772	376,971	5,800	9,793	433,336	73,852	29,238.00
Other Expenses:							
Food	-	188,135	15	3,043	191,193	(78)	-
Staff	-	56,890	4,568	3,610	65,068	-	-
Supplies	232	92,584	1,526	1,685	96,027	13,667	3,213
Utilities	-	81,761	-	-	81,761	-	-
Maintenance	-	15,713	-	82	15,795	-	-
Auto	-	35,353	-	3,480	38,833	-	-
Communications	228	11,118	62	1,074	12,482	12,766	-
Medical	-	6,290	-	29	6,319	-	-
School	-	51,393	-	-	51,393	-	-
Benevolence	-	13,466	-	1,000	14,466	5,792	738
Licenses and registration	440	16,869	28	3,679	21,016	-	149
Events and recreation	-	10,828	-	-	10,828	-	-
Travel	285,608	38,151	7,868	7,326	338,953	9,508	11,449
Haiti expenses	66,464	17,648	-	-	84,112	-	-
Transaction and bank fees	5,997	8,724	100	-	14,821	16,086	-
Occupancy	-	-	-	-	-	24,720	-
Professional services	125	10,563	32,398	24,233	67,319	3,942	28,676
Dues and subscriptions	2,254	3,685	85	4,457	10,481	10,791	1,031
Postage and shipping	834	2,507	1,623	1,478	6,442	1,589	307
Insurance	5,150	-	-	-	5,150	2,069	-
Promotion and marketing	-	-	21	1,077	1,098	2,315	20,570
Other expenses	7,456	18,849	58,629	1,000	85,934	2,949	5,216
Expenses before depreciation	415,560	1,057,498	112,723	67,046	1,652,827	179,968	100,587
Depreciation	-	96,004	-	-	96,004	2,158	-
Total functional expenses	\$ 415,560	\$ 1,153,502	\$ 112,723	\$ 67,046	\$ 1,748,831	\$ 182,126	\$ 100,587
							\$ 2,031,544

See accompanying notes to financial statements and independent accountant's review report.

HANDS AND FEET PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

The Hands and Feet Project, Inc. (the Organization) is a nonprofit organization, whose mission is to provide food, clothing and shelter to orphaned and abandoned children in Jacmel, Haiti and Grand Goave, Haiti.

Tax Status

Hands and Feet Project, Inc. is exempt from the payment of federal income taxes under Section 501(c)(3) of the Internal Revenue Code and is not a private foundation.

Accounting principles generally accepted in the United States of America require 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 Internal Revenue Service. Management has analyzed the tax positions taken by the Organization, and has concluded that as of December 31, 2015, there are no uncertain positions taken or 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. Management believes it is no longer subject to income tax examinations for years prior to 2012.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis and in conformity with accounting principles generally accepted in the United States of America. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Permanently Restricted Net Assets - Gifts of cash and other assets are reported as permanently restricted support if they are received with donor stipulations that limit the use of the donated assets in perpetuity. The Organization has received no permanently restricted support.

Temporarily Restricted Net Assets - The Organization reports gifts of cash, grants and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Unrestricted Net Assets - The Organization reports gifts of land, buildings, equipment and cash as unrestricted unless explicit donor stipulations specify how the donated assets must be used.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Pledges Receivable

Pledges receivable are recorded at their estimated fair value with amounts due later than one year at the present value of estimated future cash flows. Management establishes an estimated allowance for uncollectible accounts when circumstances indicate that the collectibility of an account is unlikely.

Property and Equipment

Purchased property and equipment over \$1,000 is recorded at cost. Donated fixed assets are recorded at their estimated fair market values. Depreciation is calculated using the straight-line method over the estimated useful lives of the respective assets. The estimated useful lives used to compute depreciation are as follows:

Buildings	30 years
Equipment and furniture	5-7 years
Vehicles	5 years

Functional Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities.

Costs are allocated between management and general or the appropriate program based on evaluations of the related benefits. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

Donated Goods

The Organization received donated food and supplies that were used for the Program. The Organization assigns values to such goods at fair market value as estimated by management. These donated items are reflected in the accompanying financial statements as both revenue and expense.

Concentration of Credit Risk

The Organization's operations are located in Jacmel, Haiti and Grand Goave, Haiti. Services are provided to individuals in Jacmel, Grand Goave, and surrounding areas of Haiti. The Organization maintains cash in bank deposit accounts and money market accounts which, at times, may exceed federally insured limits.

Temporarily Restricted Contributions

The Organization reports temporarily restricted contributions whose restrictions are met in the same year as unrestricted contributions.

Subsequent Events

Subsequent events have been evaluated through January 12, 2017, which is the date the financial statements were available to be issued.

Estimates

In preparing financial statements in conformity with generally accepted accounting principles, management must make estimates based on future events that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities as of the date of the financial statements, and revenues and expenses during the reporting period. Actual results could differ from these estimates.

(2) CASH AND CASH EQUIVALENTS

Cash consists of interest bearing deposits in various bank accounts. Accounts at financial institutions are insured by the FDIC up to \$250,000. As of December 31, 2015, all cash was insured.

(3) PLEDGES RECEIVABLES

The pledges receivable balance consists of unconditional promises to give in the amount of \$-0- and \$13,979 at December 31, 2015 and 2014, respectively. All pledges receivable are considered receivable in less than one year.

(4) PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31, 2015 and 2014, respectively:

	2015	2014
Land	\$ 351,959	\$ 296,959
Children's Village	1,761,264	1,427,313
Vehicles	339,247	300,387
Furniture, fixtures, and equipment	177,708	176,438
Office equipment	15,447	14,788
	<u>2,645,625</u>	<u>2,215,885</u>
Less - accumulated depreciation	(515,817)	(391,978)
	<u>\$ 2,129,808</u>	<u>\$ 1,823,907</u>

(5) CONTRIBUTED SERVICES

Volunteers assisting Hands and Feet Project contributed a significant amount of time, for which no value has been assigned or recognized in the financial statements.

(6) INSURANCE

The Organization maintains liability insurance, but does not maintain any kind of property insurance. In the event of any loss, the Organization would be fully responsible for all of the resulting loss or cost of replacement.

(7) LEASES

The Organization leases office space for administration in Franklin, Tennessee for \$1,500 per month. The lease runs from month to month. The estimated amount of lease payments is expected to be static going forward and the minimum lease payments are expected to be \$18,000 per year for the next five years.

(8) RELATED PARTIES

The office space leased in Franklin, Tennessee is leased from a partnership, which is wholly owned by two members of the Board of Directors, Will McGinness and Mark Stuart.

(9) BOARD DESIGNATED FUNDS

The Organization has designated certain funds for a specific purpose as follows:

	2015	2014
Capital Projects (Board Approved)	\$ 145,000	\$ 79,643
Dream Fund	119,931	90,915
Missionary Sponsorship	95,486	84,096
	<u>\$ 360,417</u>	<u>\$ 254,654</u>